

Economic and Market Analysis of Tourism in New Jersey

A Position of Strength

Presented by:

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About Global Insight



- Premier economic analysis and consulting organization created by the integration of **DRI** and **WEFA**
- Provides the most comprehensive coverage of countries, regions and industries available from any single source
- Brings a common analytical framework and a consistent set of assumptions to diverse capabilities and products
- Provides a broad range of consulting capabilities covering:
 - **Tourism Market Analysis**
 - **Investment Strategy**
 - **Infrastructure Analysis**
 - **Economic Development**
 - **Business Planning**
 - **Risk Assessment**
 - **Policy Evaluation**
 - **Tourism Economic Impact**
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- Over 500 employees and 30 international offices

Agenda

- **The economic backdrop for tourism**
- **Review of tourism in the nation and in New Jersey**
- **New Jersey's position of strength for 2004 and beyond**

A New Dawn for U.S. Tourism Industry

Three catalysts

- **Global economic recovery**
- **Weak US dollar**
- **Pent up demand**

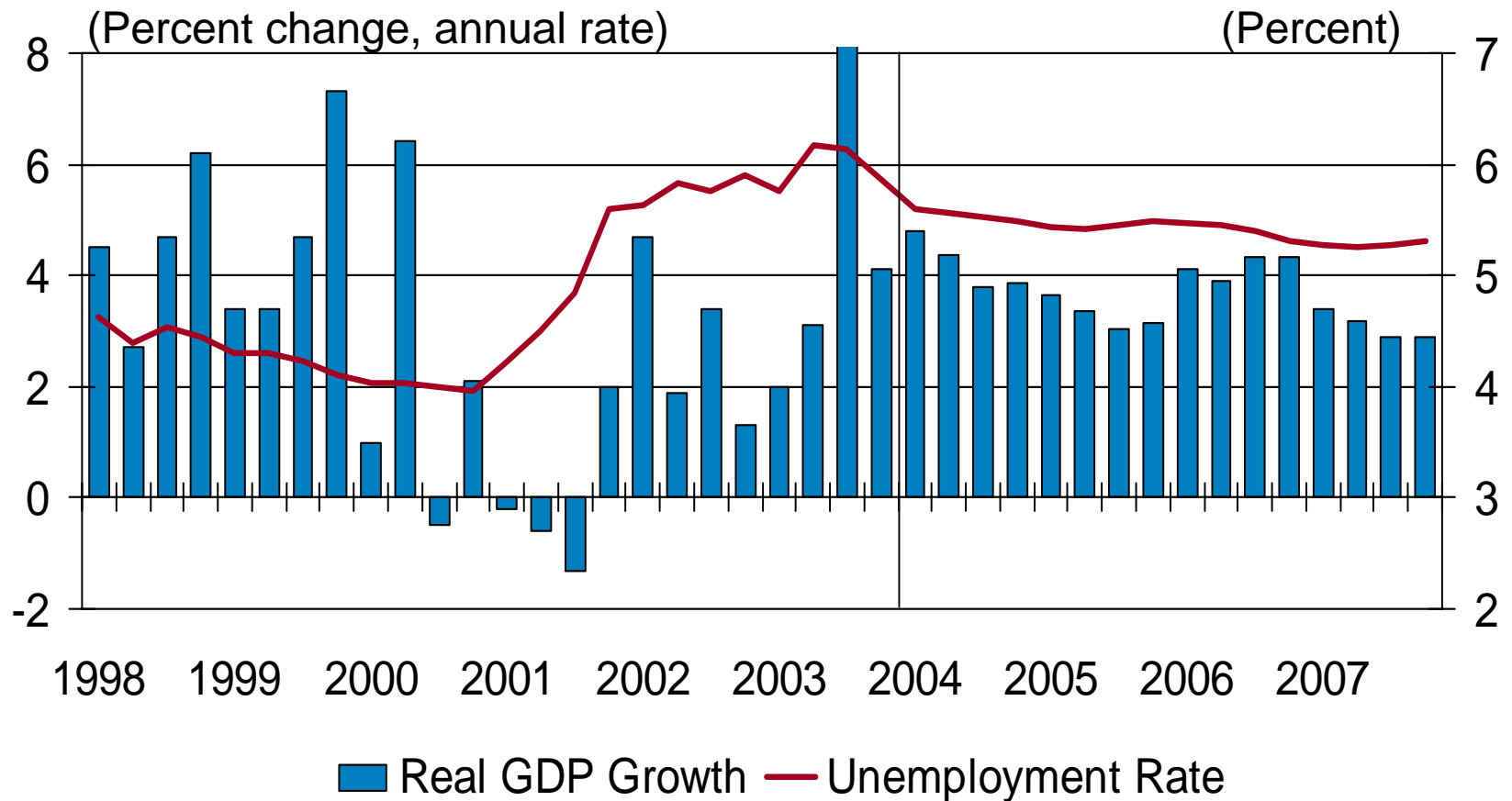
Result: Accelerated recovery for US inbound and continued growth in US domestic travel in 2004

The U.S. Expansion Broadens

- **Consumer spending has steadily risen, supported by tax cuts, low interest rates, and the stock market rally. A recovery in jobs will sustain spending growth.**
- **Housing markets have peaked but will remain strong.**
- **Business investment has begun a phased recovery, with information technologies leading and construction lagging.**
- **With the inventory-to-sales ratio at a record low, businesses are stepping up production.**
- **Federal fiscal stimulus outweighs state and local government budget austerity.**
- **Exports are rebounding in response to the dollar's depreciation, neutralizing the impact of rising imports.**

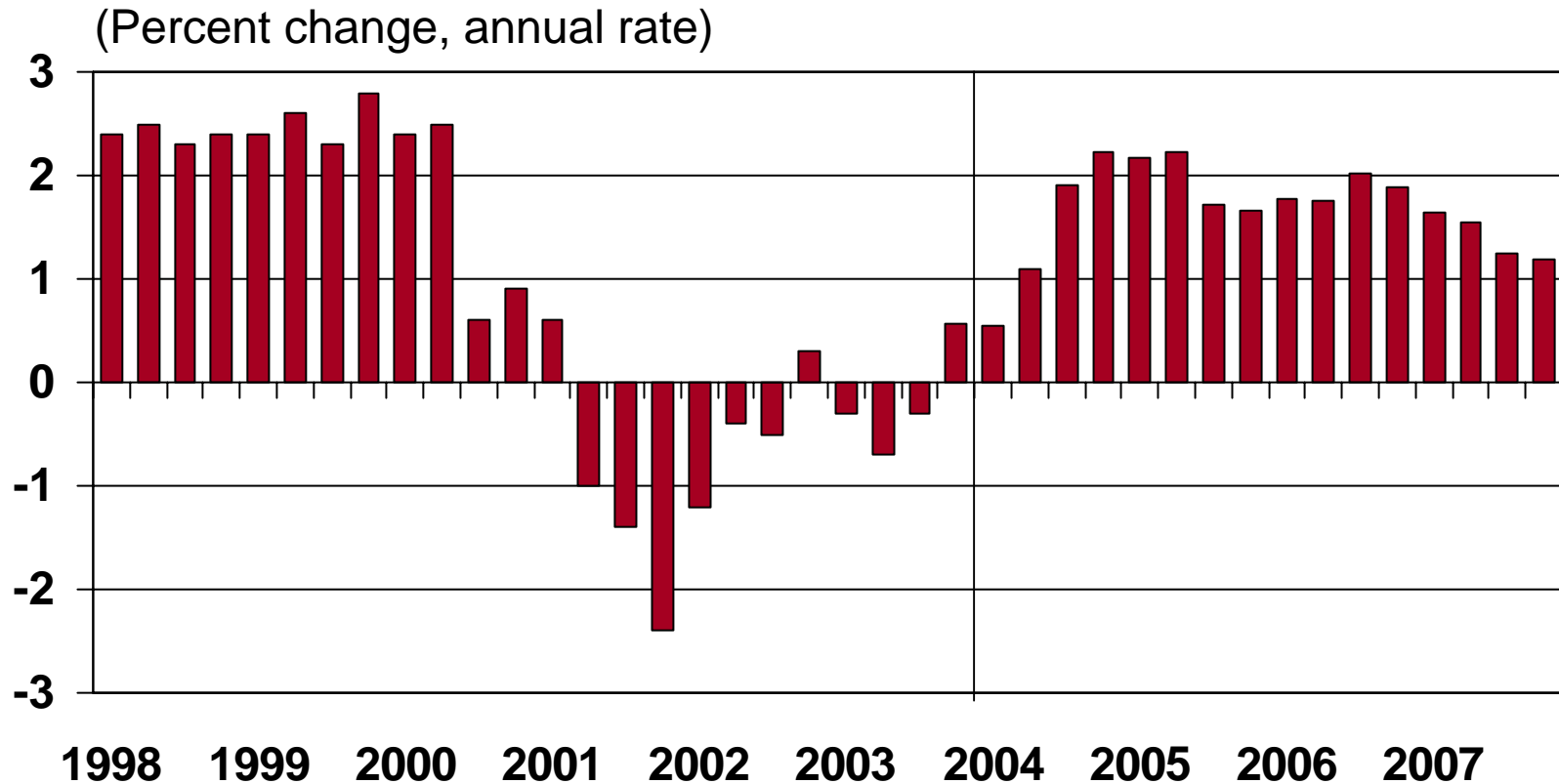
The U.S. Expansion Is Strengthening

2004 GDP Growth of 4.8% Best in 20 years!

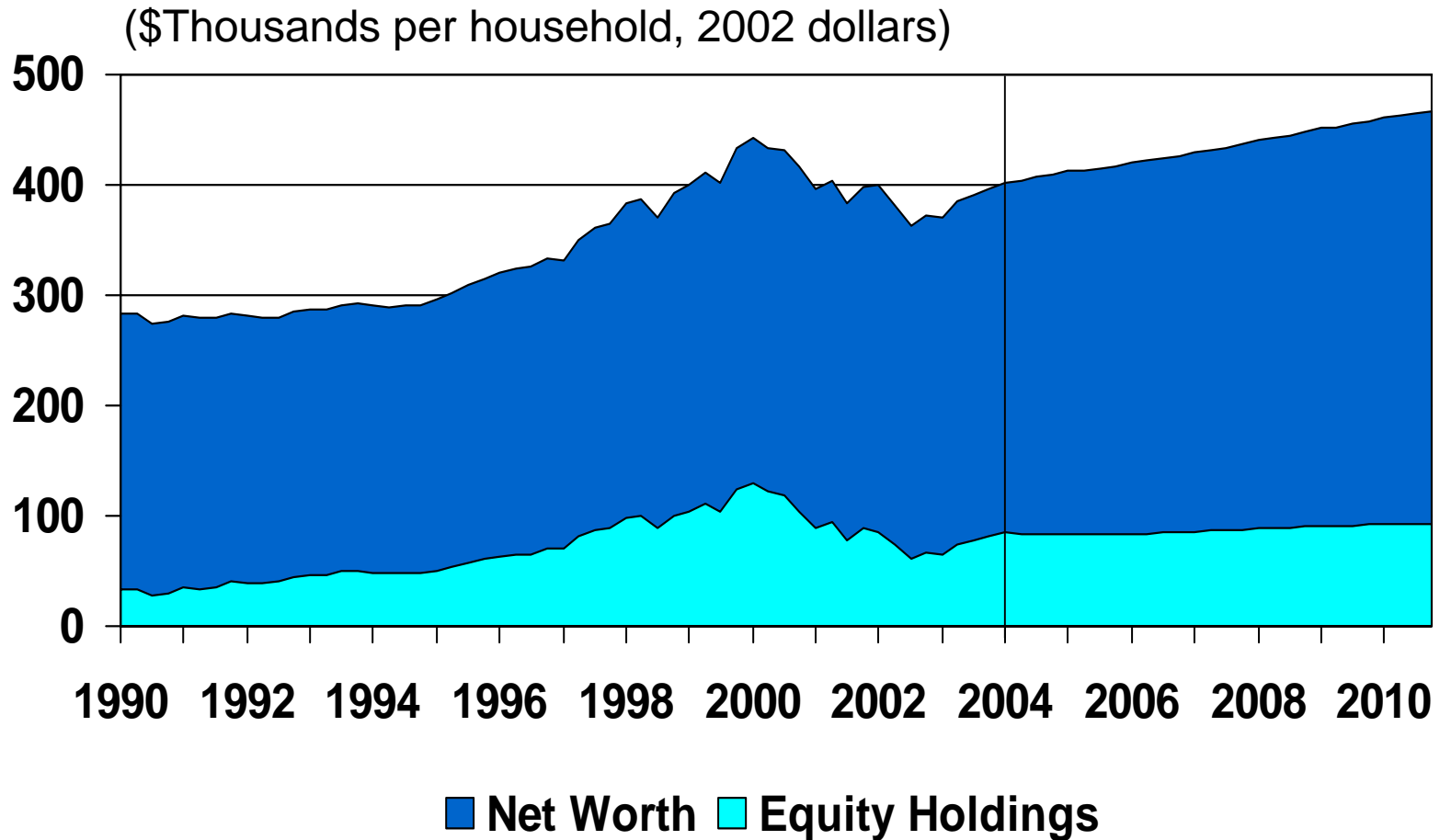


Employment Finally Begins to Recover

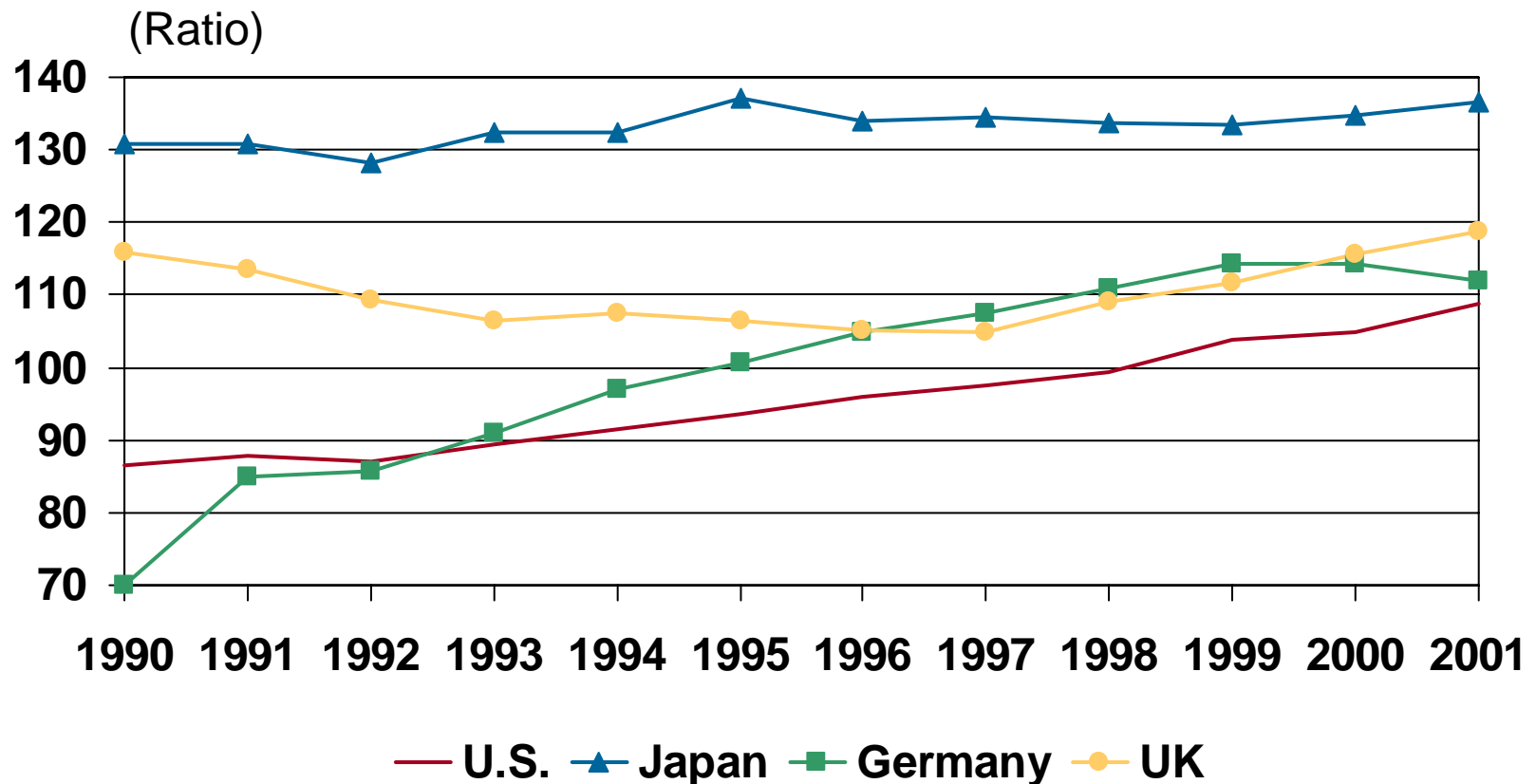
February employment was 2.35 million below its March 2001 peak.



Real Net Worth per Household Is Recovering

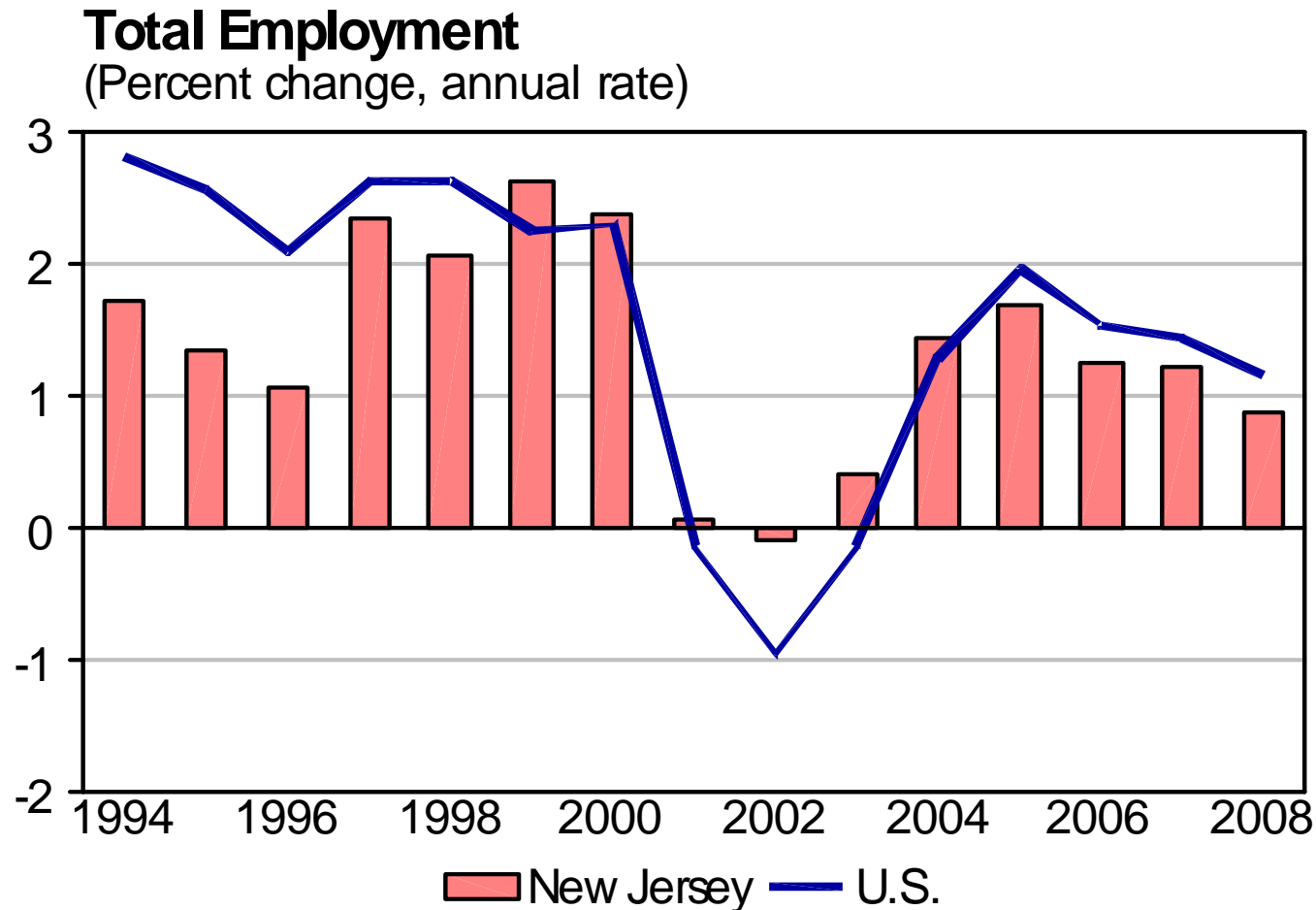


Ratio of Household Debt to Disposable Income

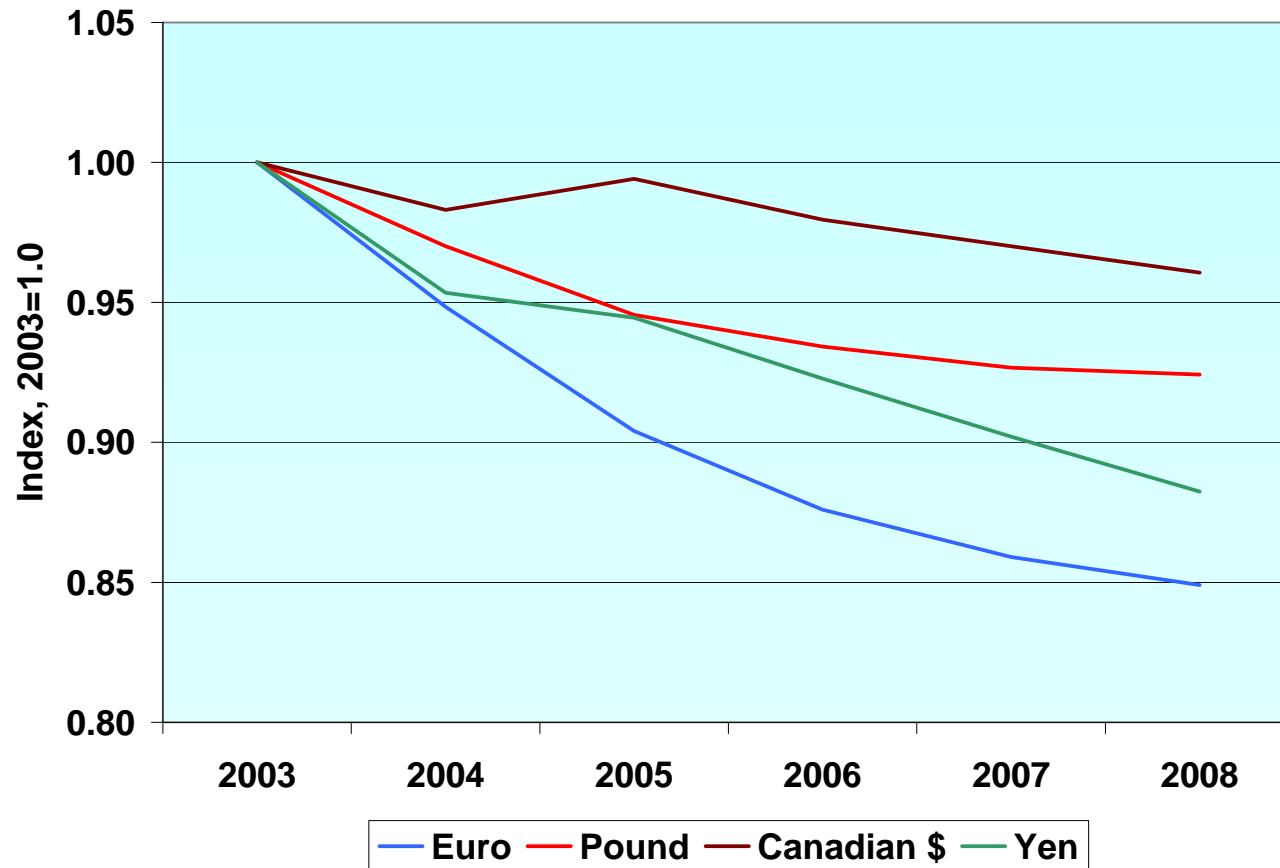


Source: OECD

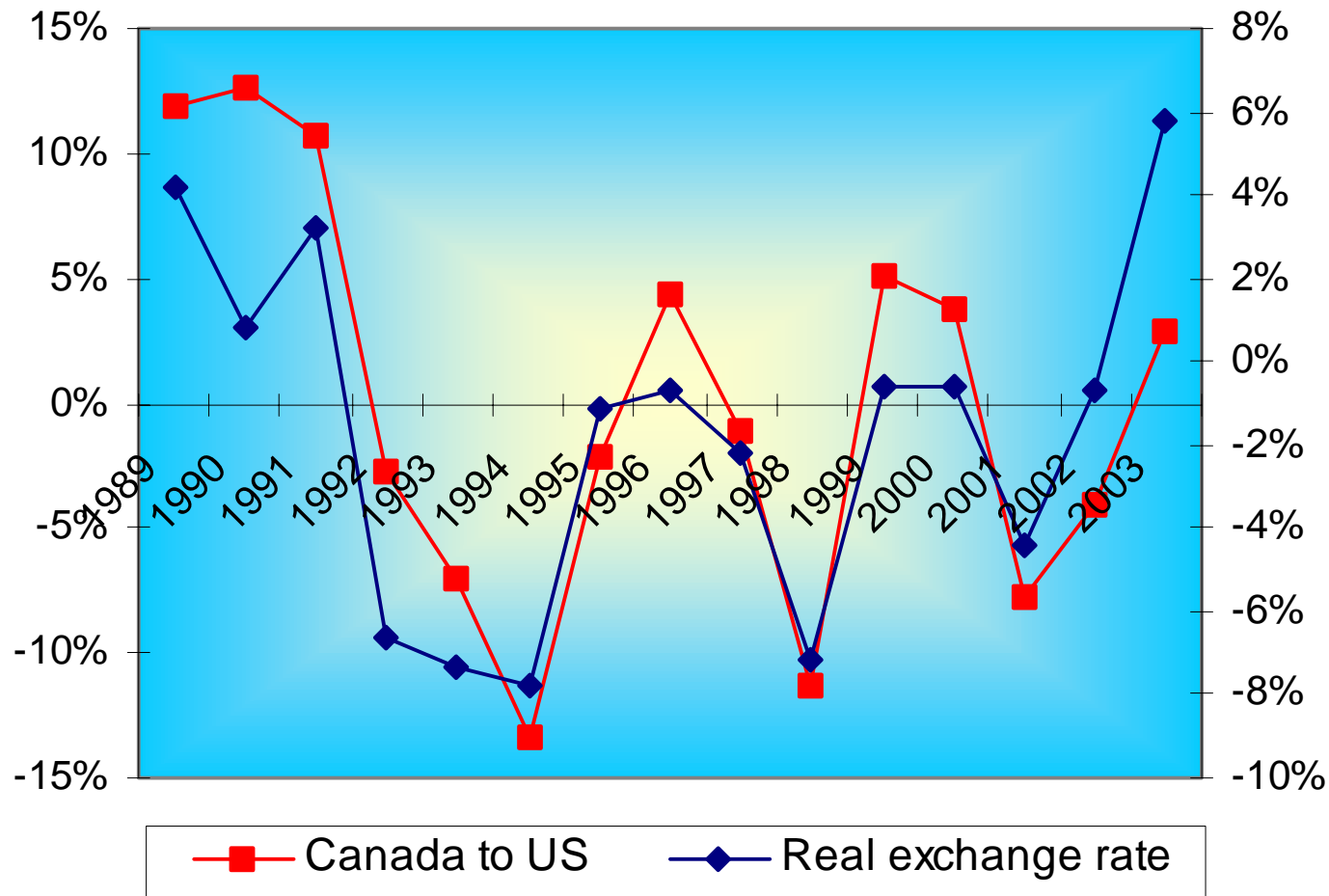
New Jersey maintains employment stability



The Continued Decline of the Dollar



Exchange Rate Remains Effective at Predicting Canada to U.S. Travel



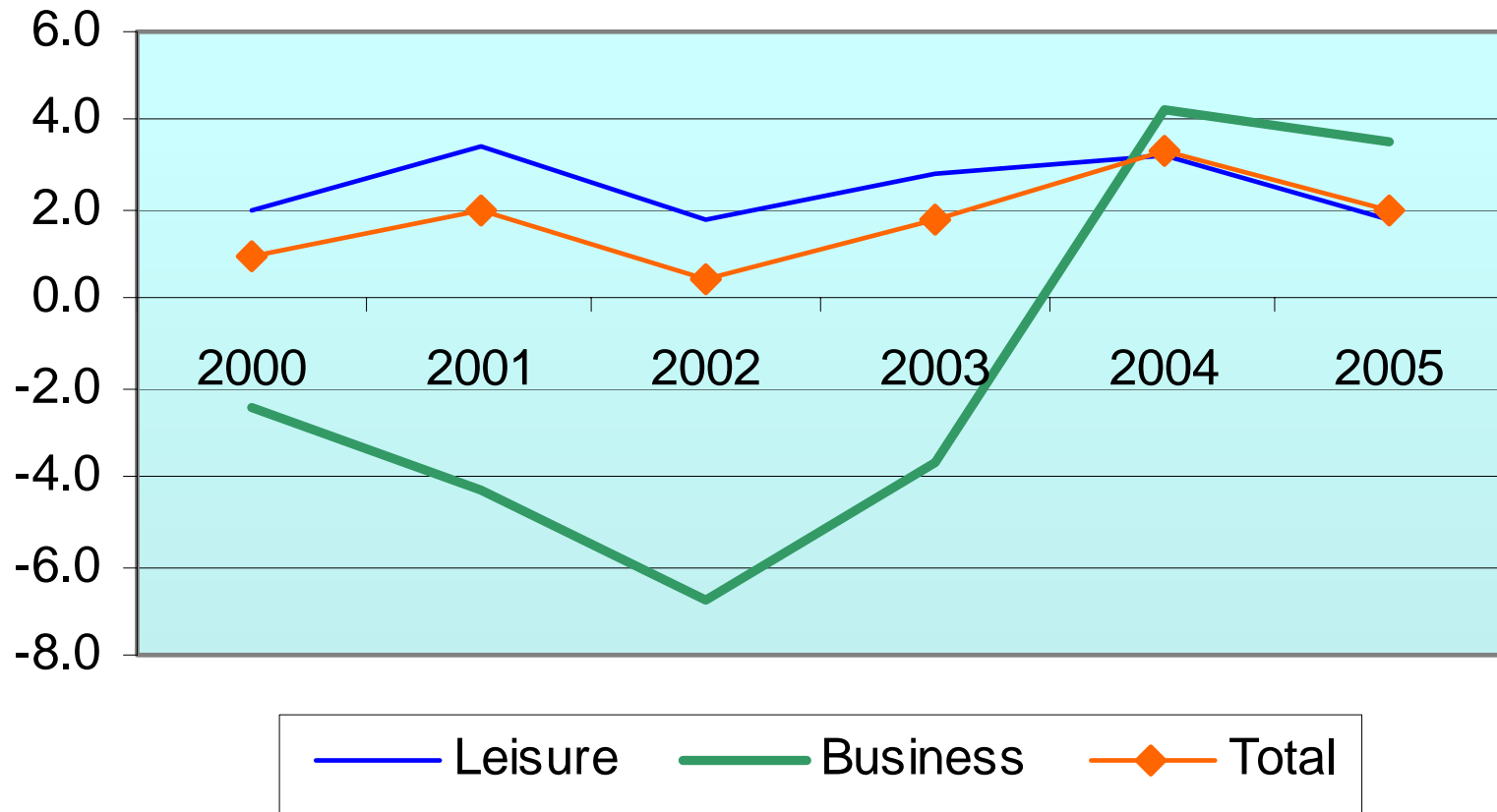
Conclusions

- Widening current account imbalances will lead to more dollar depreciation. Will induce a reversal for inbound.
- Economic expansions are under way; growth will strengthen in the months ahead.
- Best inbound growth will be from UK, Ireland, Japan
- Highest inbound volume increase from Canada
- U.S. domestic leisure travel should remain robust in medium term with business leading the upturn

Effects of a Healthy Economy and Weak Dollar

Recovery Peaks in 2004 with Business Travel

% change

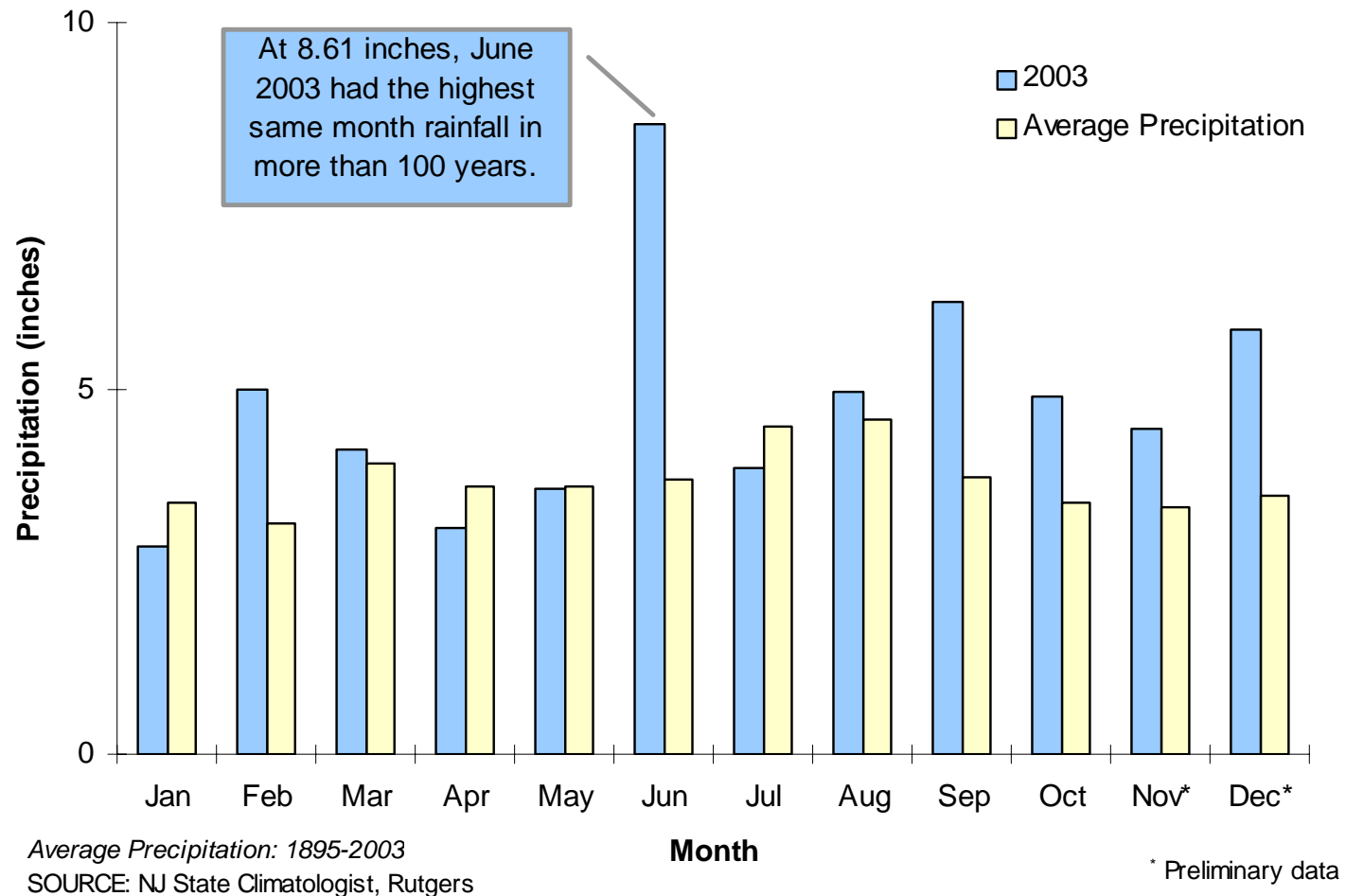


Based on TIA TravelScope history

Understanding NJ Tourism

- **Recent performance**
- **Visitor Profile**
- **Positioning**
- **Target Markets**

New Jersey Tourism in 2003 : A Wet Start



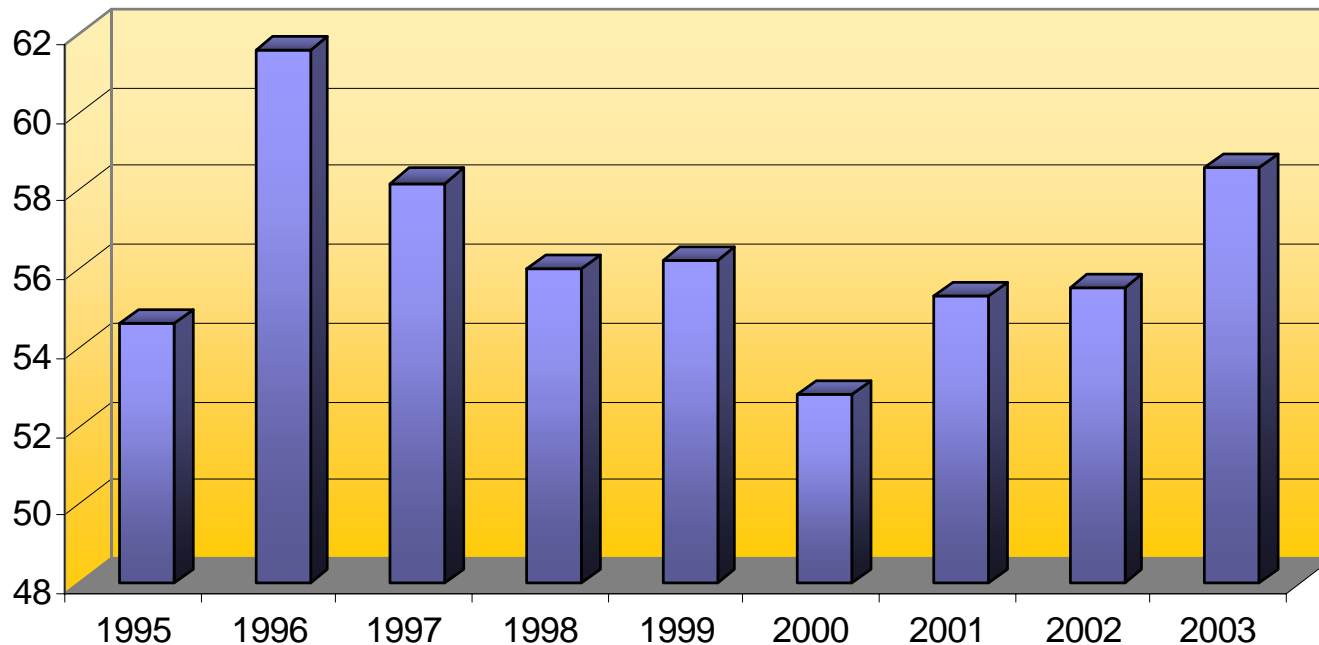
Review of 2003: Trends

- **Visitors:** New Jersey hosted 66.3 million visitors in 2003- a 12.4% increase from 59.0 million in 2002. The greatest growth came from day trips.
- **Spending:** Visitor spending rose 7.3% in 2003 with an increase of 0.7% in average daily expenditure. Increases were highest in entertainment (+9.8%), shopping (+8.2%), and food (+5.4%).

Primary data from DK Shifflet and Associates. Data based on first three quarters of 2002 and estimates for the fourth quarter.

Seasonal Tourism Employment Up in 2003

Seasonal Tourism Employment



Based on peak to trough calculation (July vs. January) using monthly NAICS BLS data on Leisure and Hospitality

Review of 2003: Segmentation

- **Income:** The average household income of NJ's visitors was \$78,870. NJ attracted a higher share of travelers with household incomes above \$75,000 and 4.5% more travelers with household incomes above \$125,00 than the US.
- **Accommodation type:** 66% of 2003 visitors stayed in Hotels, while 24% stayed in a Home/Apartment or Condo in New Jersey which did not belong to them. Bed and Breakfasts account for 1.25% of visitor accommodations.

Review of 2003: Executive Summary

- **Purpose of Stay:** Weekend travel accounted for 24% of all trips. Day trips account for 62%. Total leisure trips comprise 80.2%.
- **Top activities:** Diverse attractions make NJ a more multi-activity destination than most states. The top activities among New Jersey's visitors were Dining (+13.9%), Entertainment (+13.1%), Gambling (+12.7%) and Shopping/Beach Trips tied at (+9.4%) each.
- **Main Mode of Transportation:** Auto transportation is by far the main mode of transportation with 87% of all trips.

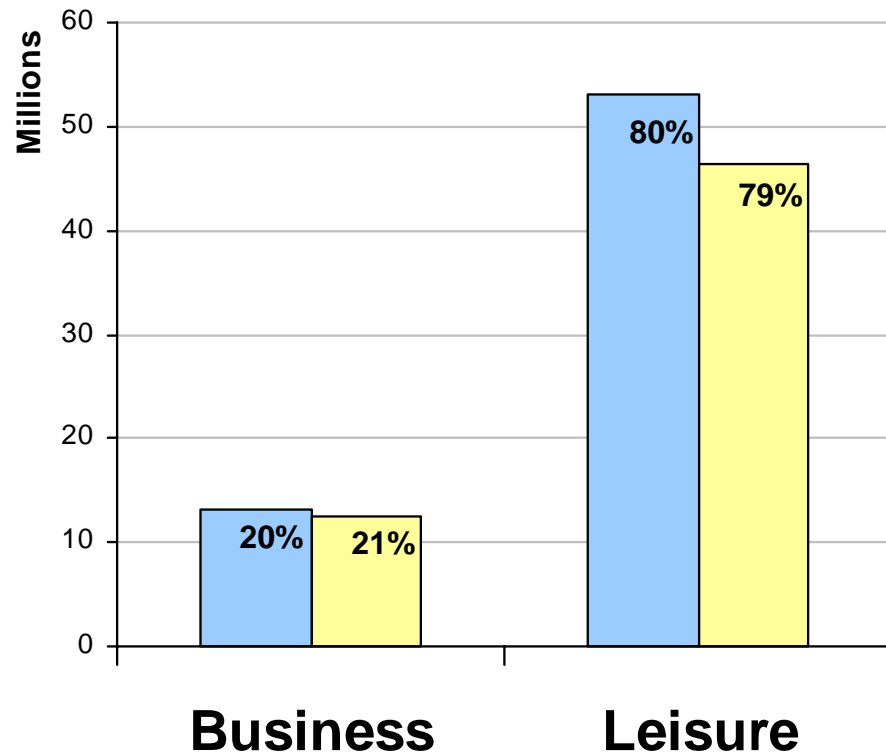
Review of 2003: Executive Summary

- **Top Origin States:** New Jersey's top origin states in 2003 were New Jersey (34%), New York (28%) and Pennsylvania (22%), tallying nearly 84% of all NJ's travelers.
- **Origin DMA's:** New Jersey's top origin DMA's in 2003 were New York, NY (48%) and Philadelphia, PA (30%).

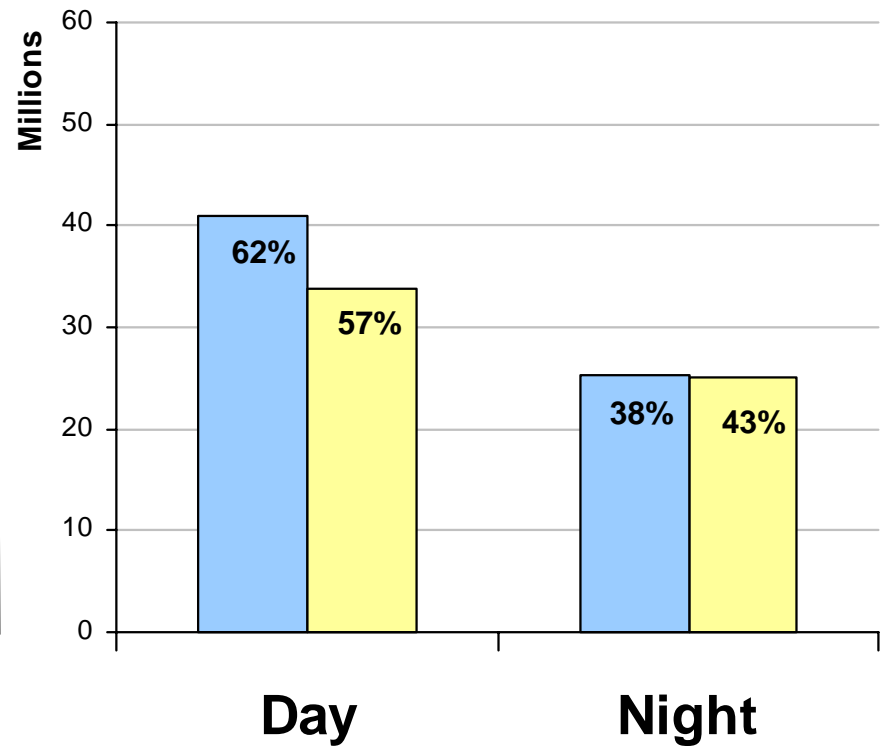
New Jersey Travel Volume and Share

Trip volume rose to 66.3 million in 2003 from 59.0 million in 2002 as a result of an increases in Day Trips and in the Leisure segment.

Travel volume by segment

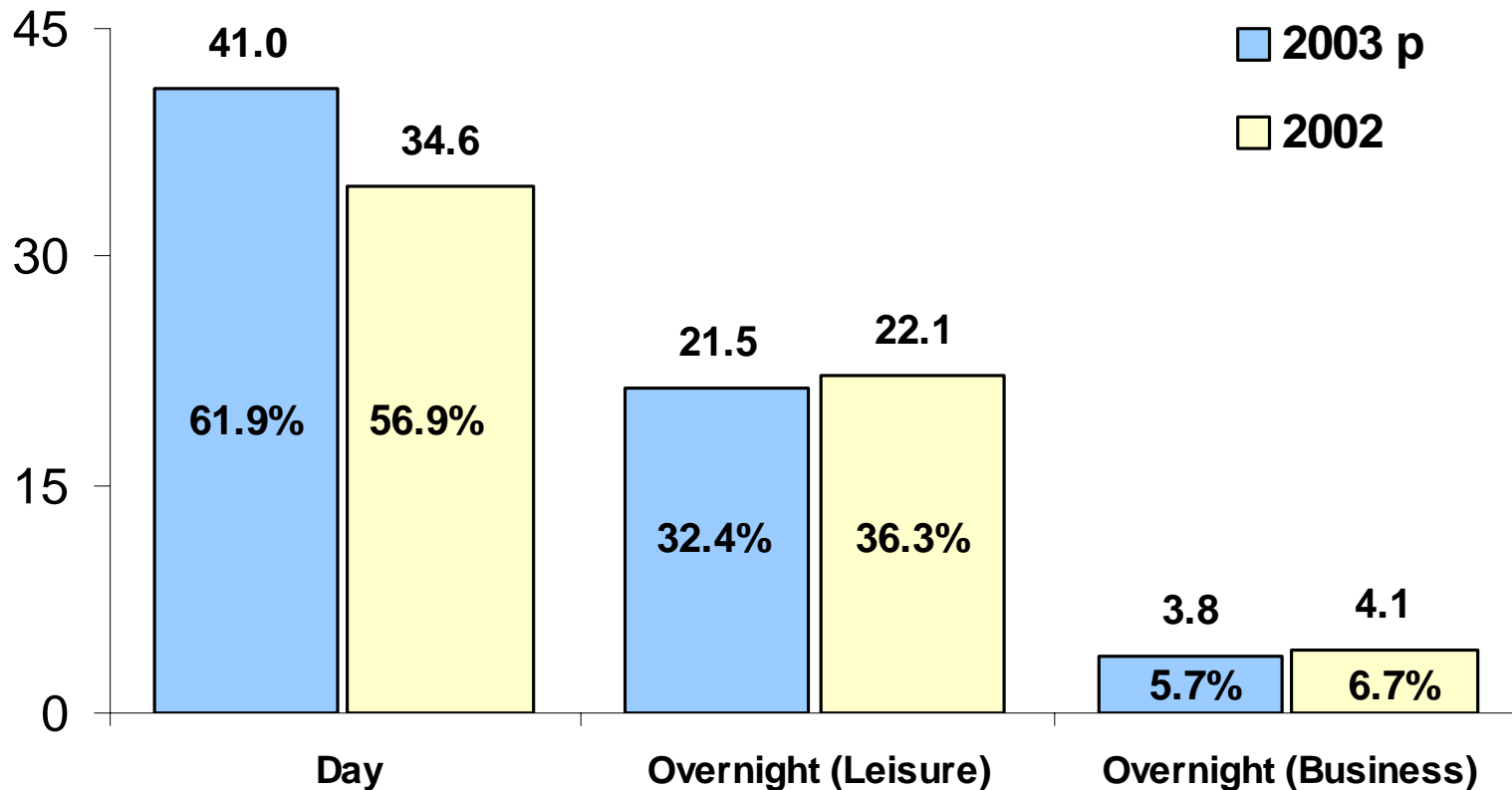


Travel volume : overnight/day



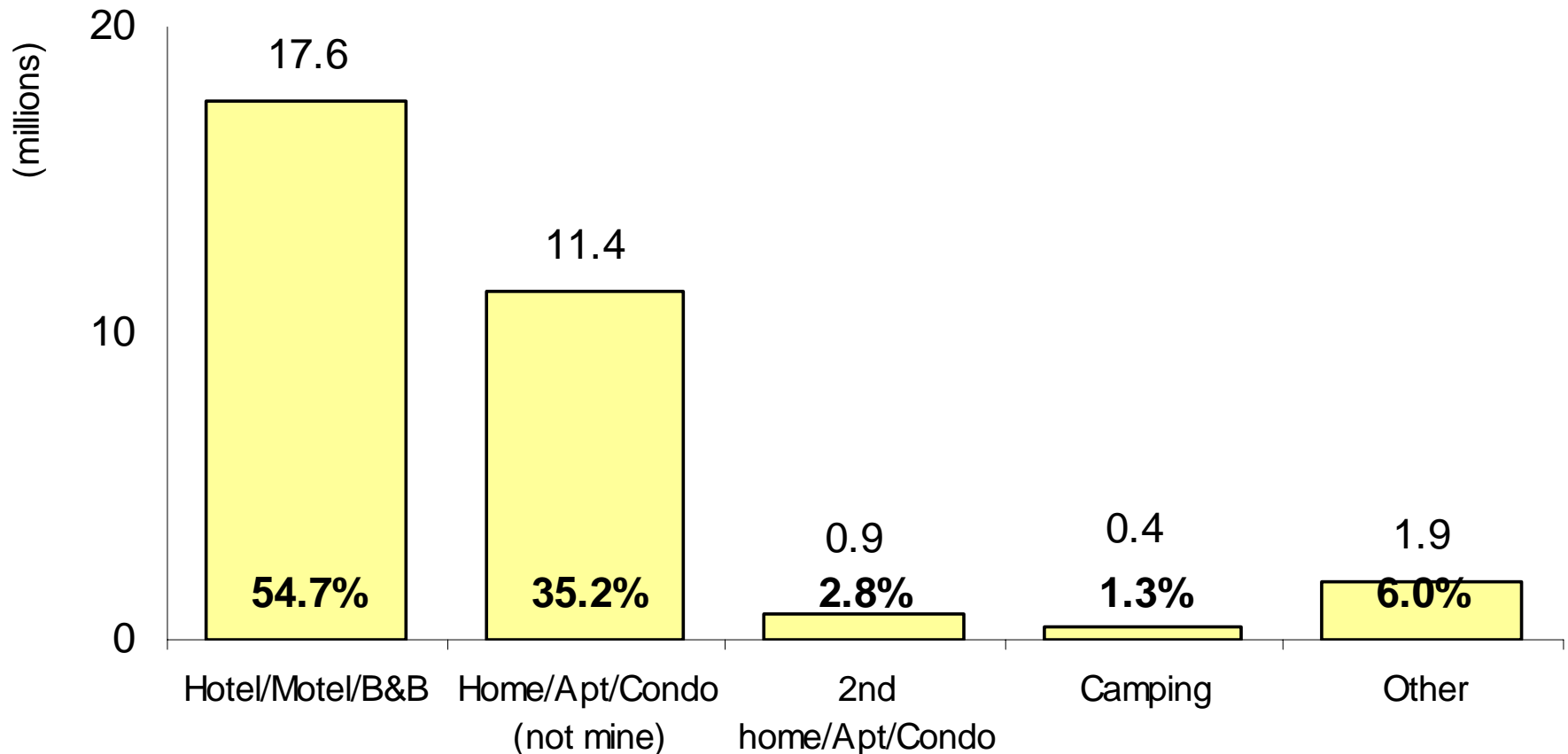
New Jersey Travel Volume and Share (Million Persons)

Day travel rose to 41 million in 2003 from 34.6 million in 2002 and overnight leisure decreased slightly to 21.5 million.



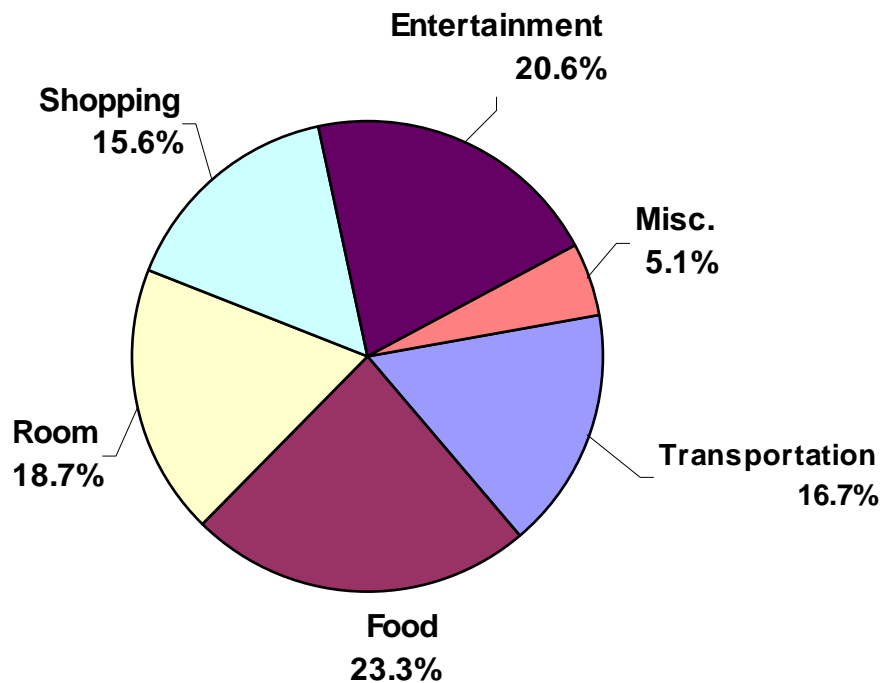
New Jersey Room Nights Volume (Millions)

Visitors spent 32.2 million room nights in New Jersey in 2003.
Most are spent in Hotel/Motel/B&B and Home/Apt/Condo (not mine).



Spending Distribution

Average daily expenditure increased 0.7% in 2003 with strongest gains in shopping, entertainment and food.



NJ Daily Average Expenditure

(Year-on-Year Change 2003/2002)

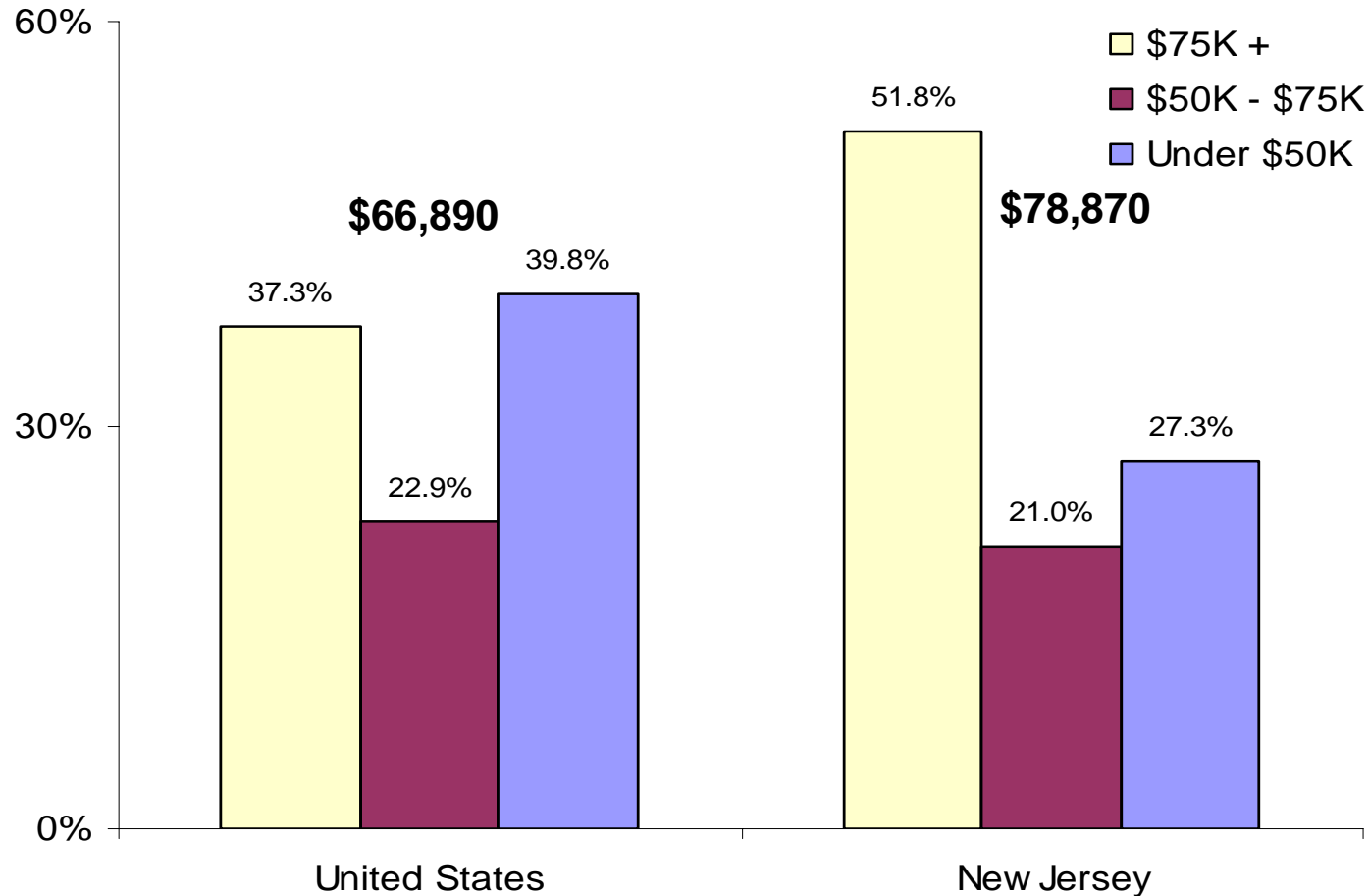
	2003 <i>preliminary</i>
Transportation	-16.7%
Food	+5.4%
Room	+0.0%
Shopping	+8.2%
Entertainment	+9.8%
Miscellaneous	-3.4%
Total Average Spending	+0.7%

Review of 2003: Visitor Profile

- **Income**
- **Age**
- **Marital Status**

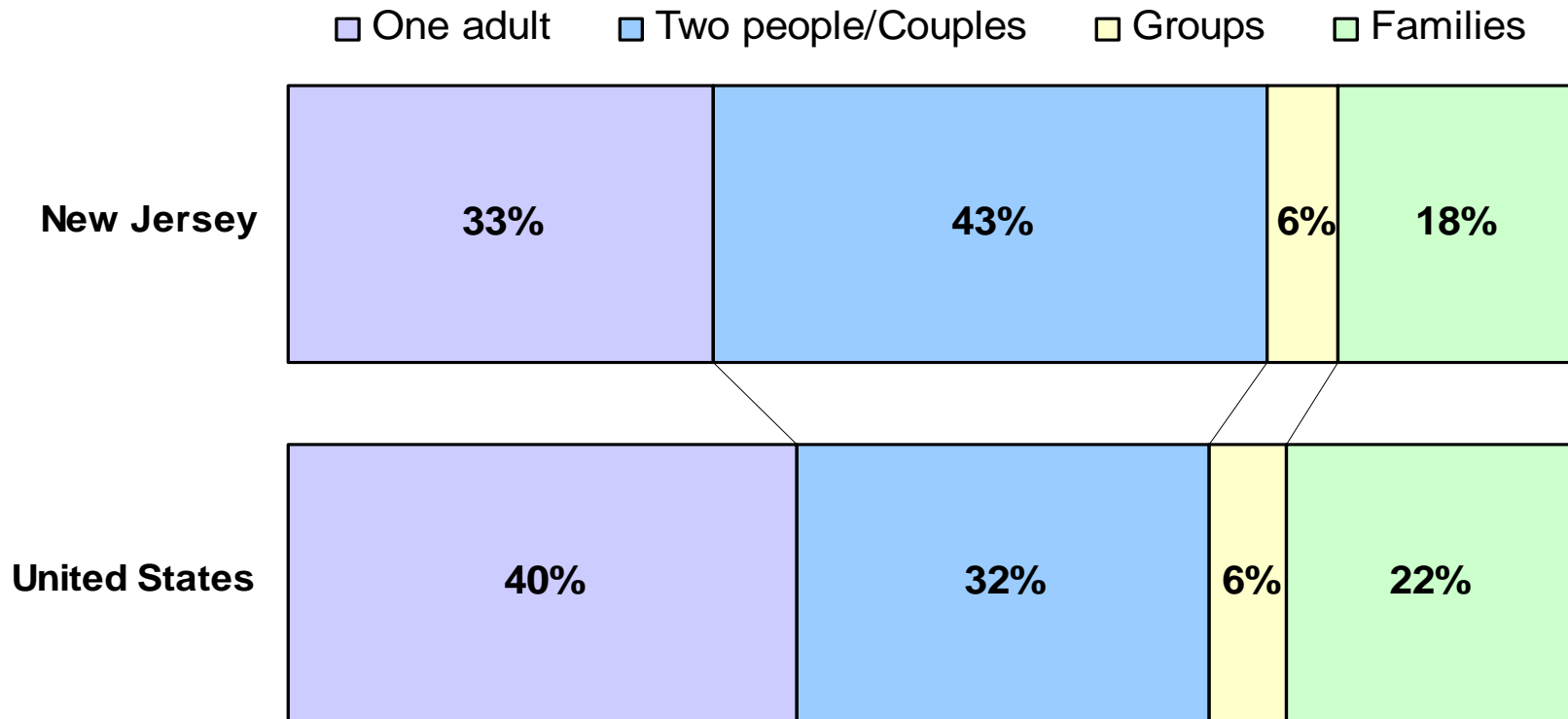
Traveler Household Traveler Distribution

The average annual household income of New Jersey Travelers is \$78,870 in 2003, and is still higher than that of US travelers.



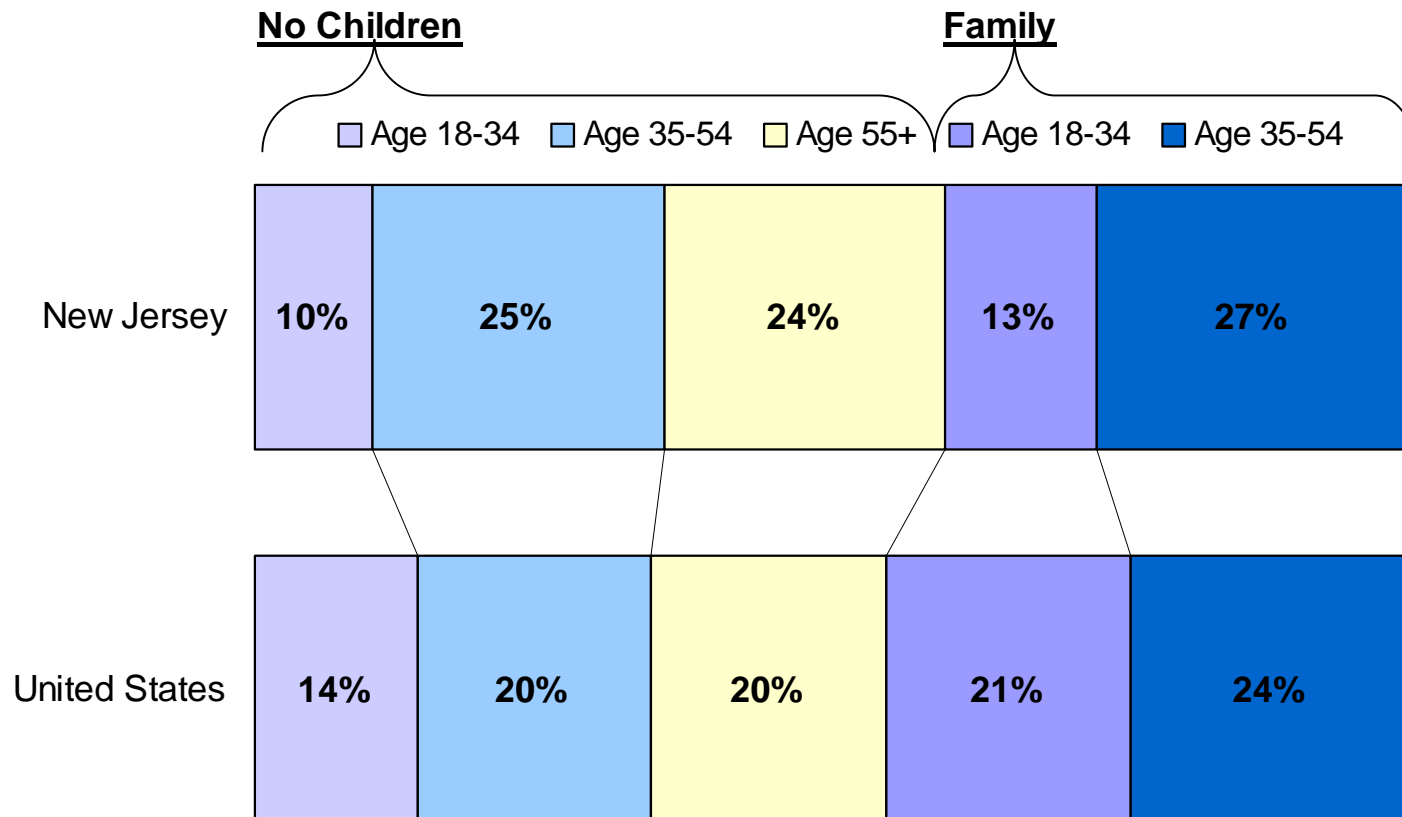
Traveler by Party Composition

New Jersey is relatively popular for couples and groups of friends in comparison to the nation. One adult and pairs/couples comprise 76% of the total.



New Jersey Traveler Age by Party Composition

New Jersey is also particularly popular among older adults and older families. Together, these segments comprise more than 50% of the total market.

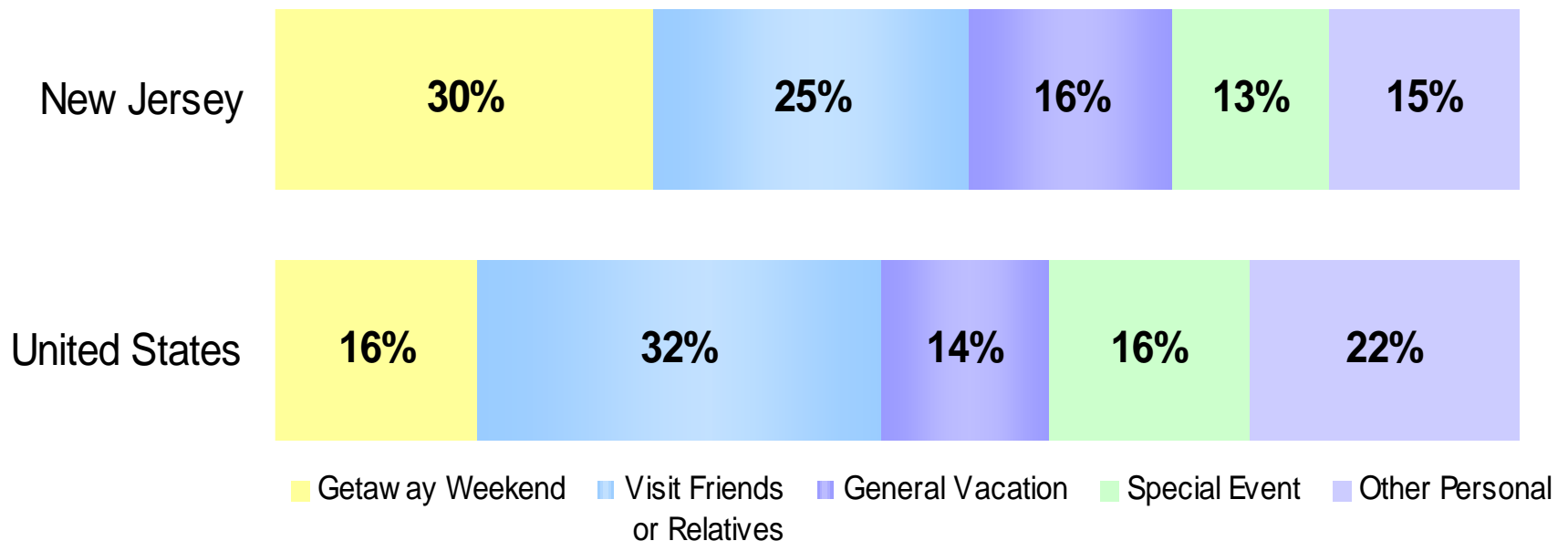


Review of 2003: Positioning

- **Activities**
- **Length of Stay**
- **Accommodation**

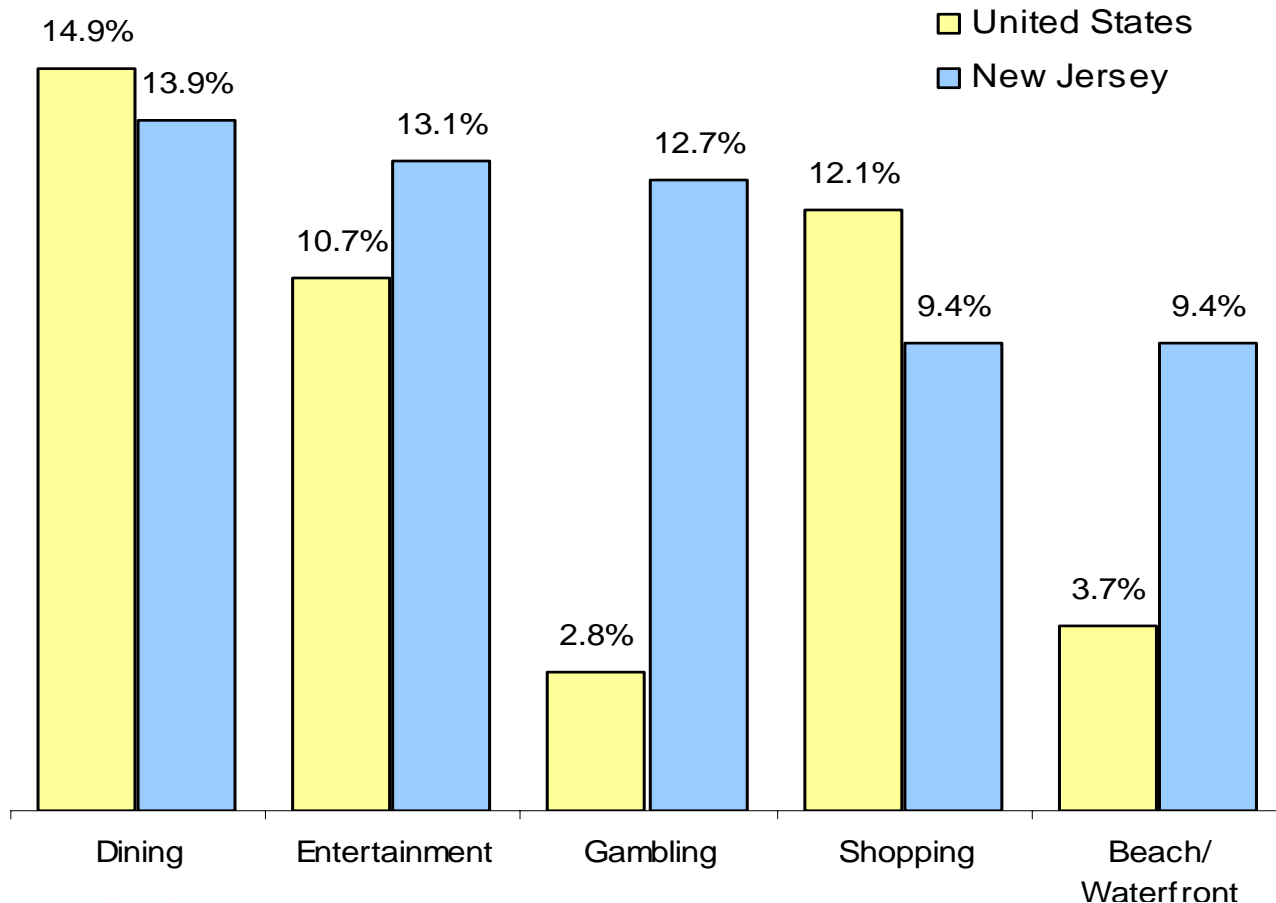
Traveler Purpose of Stay Distribution

New Jersey attracted a higher share of Getaway Weekend travel than the US, but a lower share of Visit Friends/Relatives.



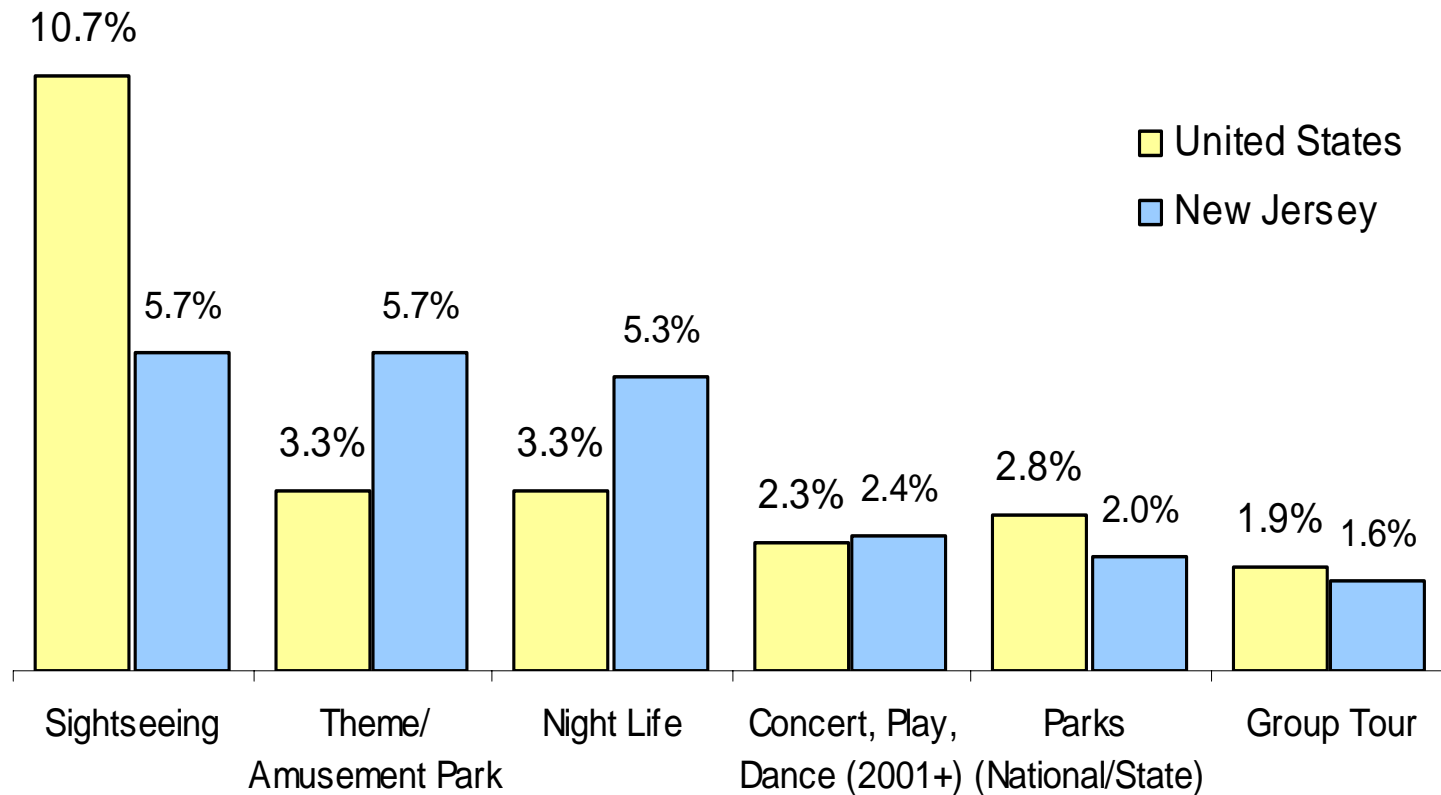
Top Activities

New Jersey's diverse attractions push it ahead of the nation in terms of entertainment, gambling, beach/waterfront and dining.



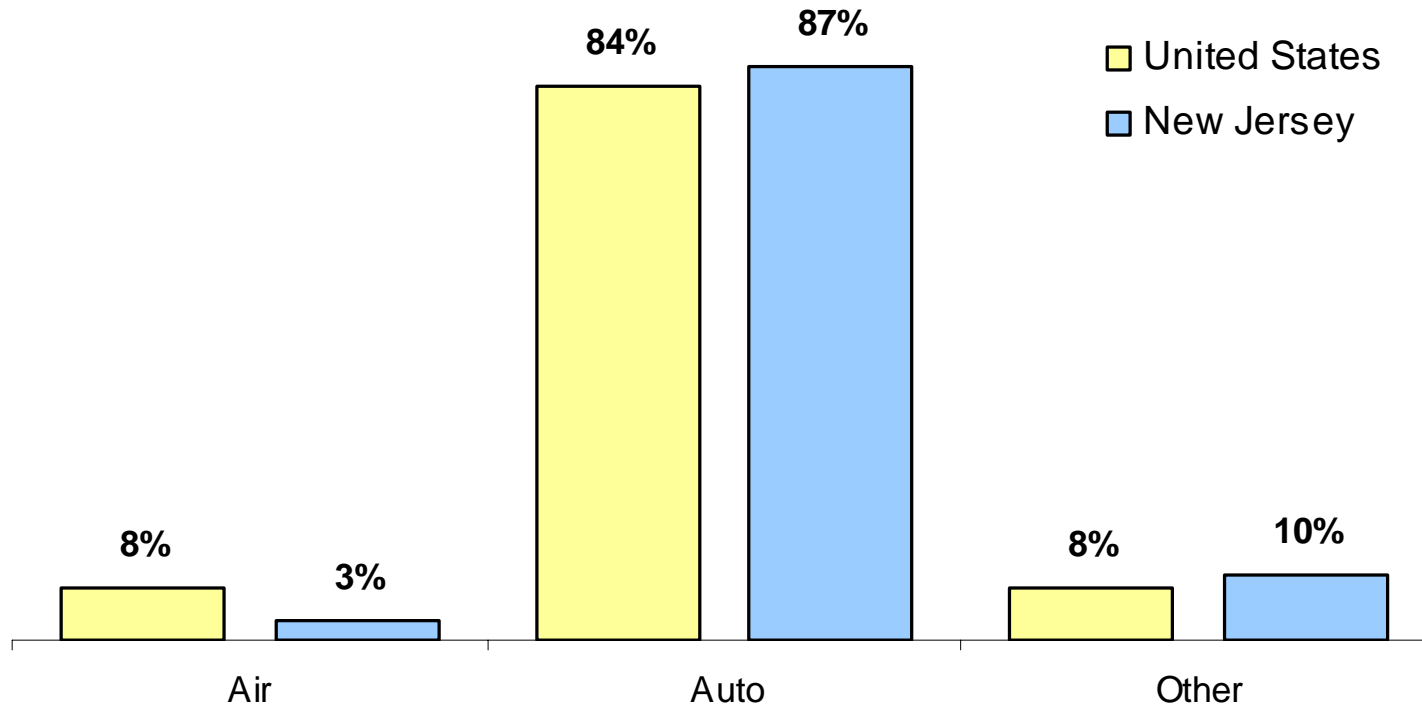
Top Activities (contd.)

New Jersey also drew visitors to its theme parks and night life at a higher rate than the U.S.



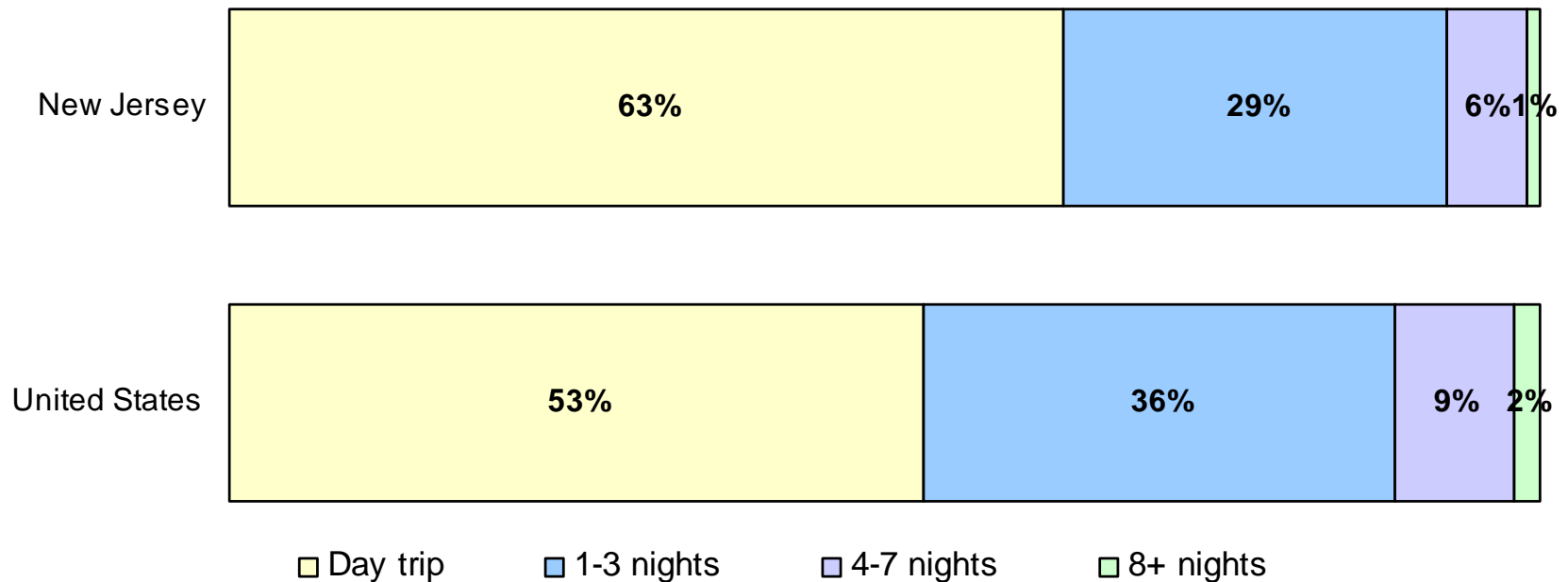
Traveler Main Mode of Transportation

New Jersey is primarily a drive market with 87% of all trips by automobile.



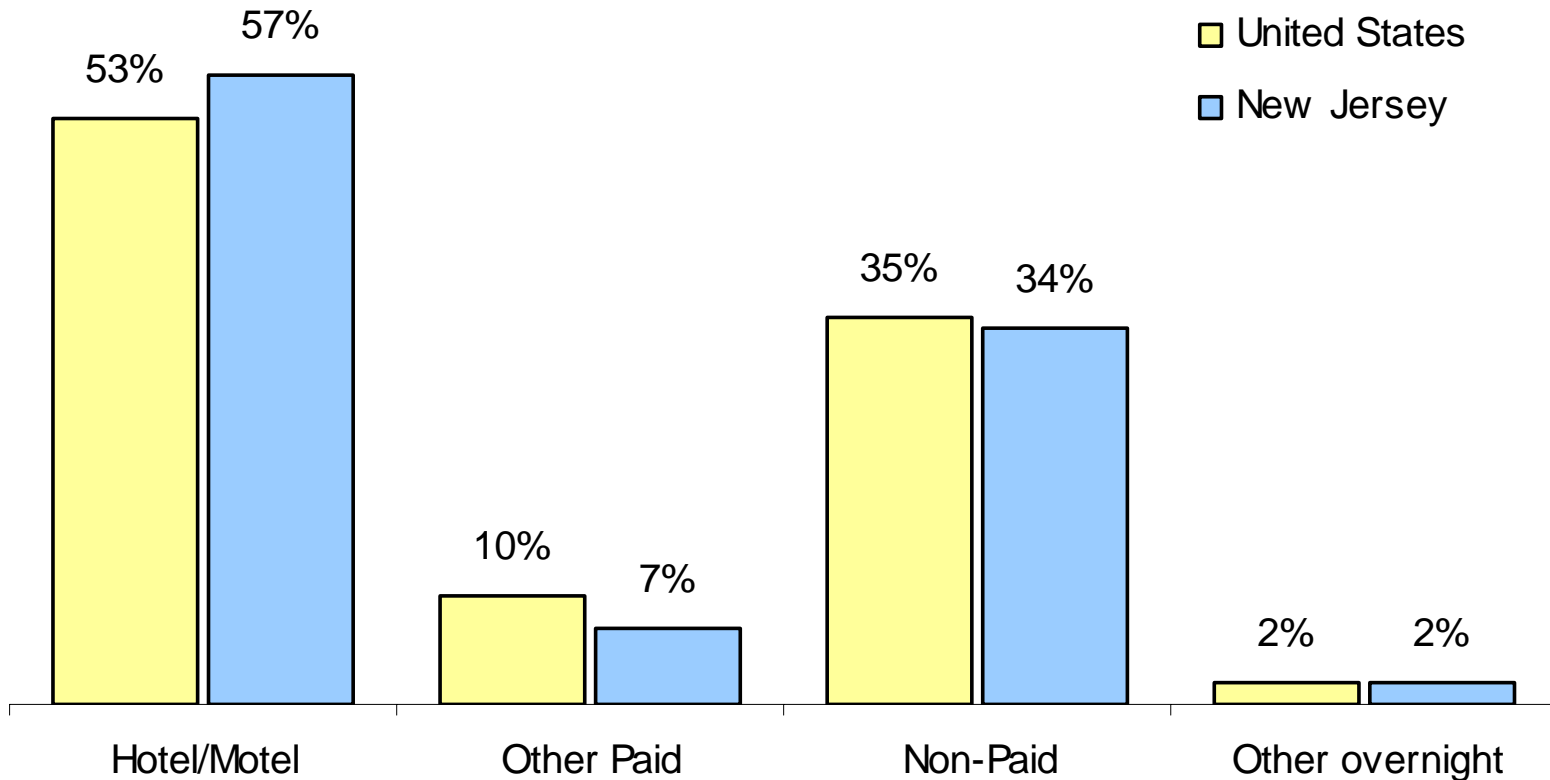
Traveler Stay Length

Stays of 1-3 nights accounted for almost one third of visits in New Jersey. Day trips are the most frequent while 8+ nights stays are rare.



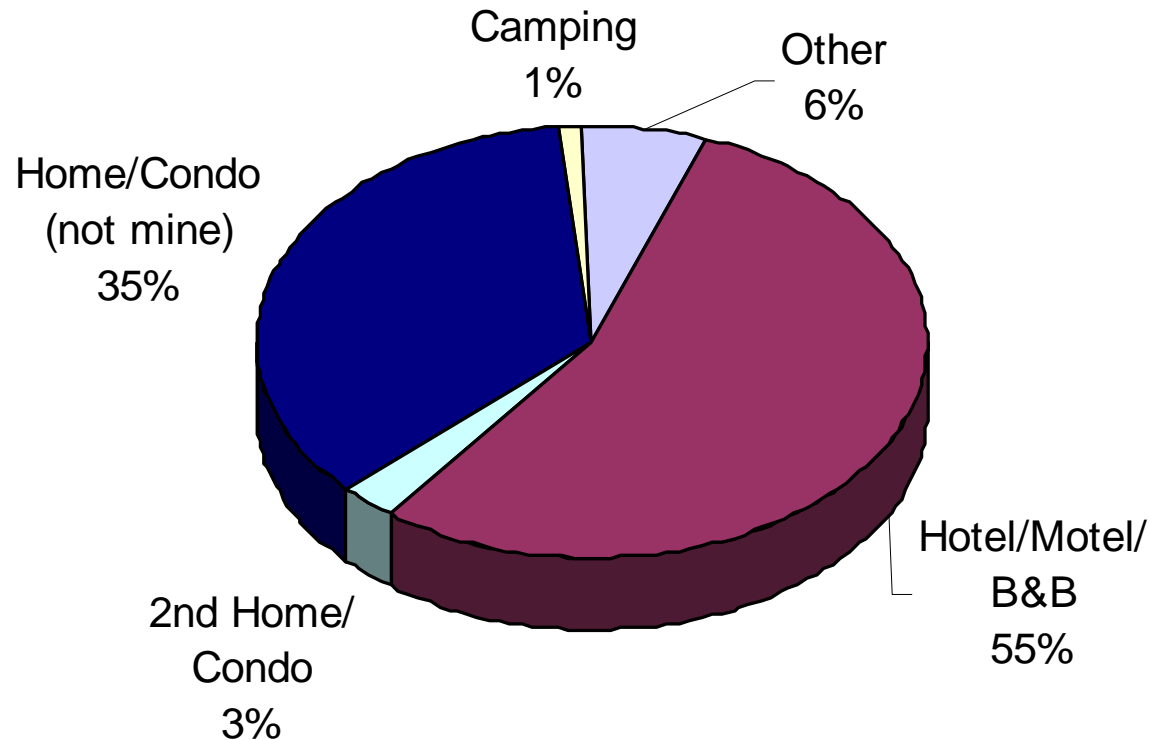
Traveler Accommodation Choice (Person-Trips based)

Slightly over half of overnight visitors stayed in a hotel/motel.



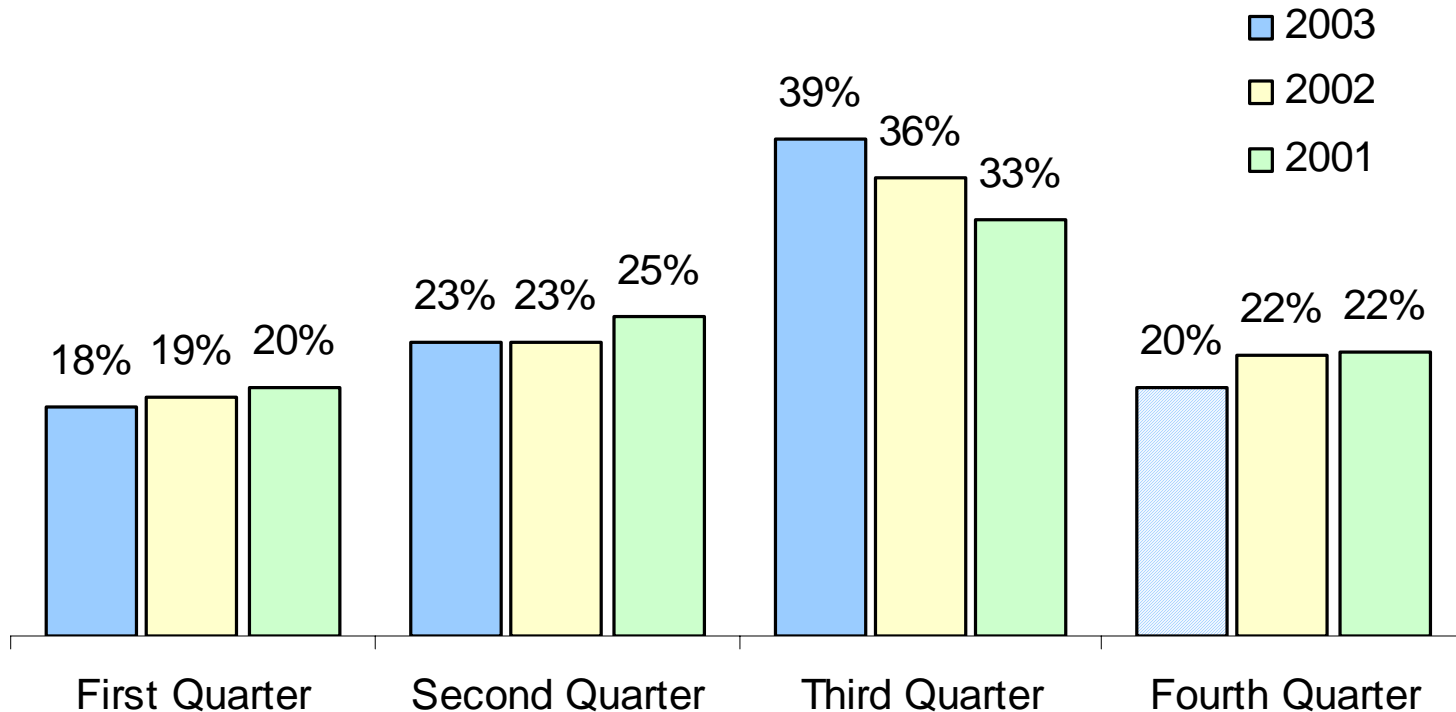
Traveler Accommodation Choice (Room-Nights based)

Rental properties and second homes comprise 38% of all room nights in the state.



Quarter Trip Started

39% of trips in New Jersey started in the third quarter. The first quarter of the year is a low point for travel for the state.



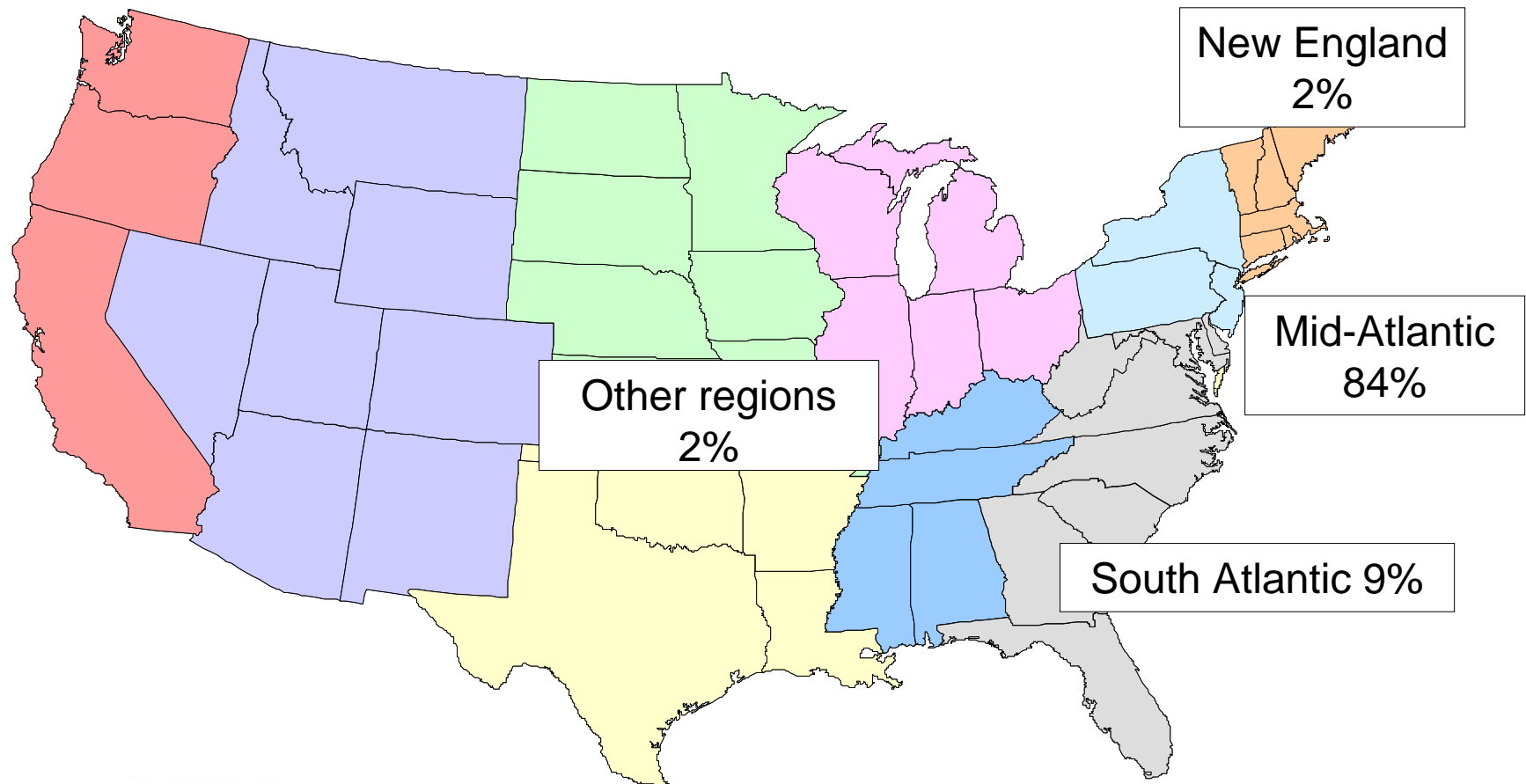
Q4 – 2003 is based on 2002 data.

Review of 2003: Target Markets

- **Origin Census Regions**
- **Top Origin States**
- **Top Origin DMAs**

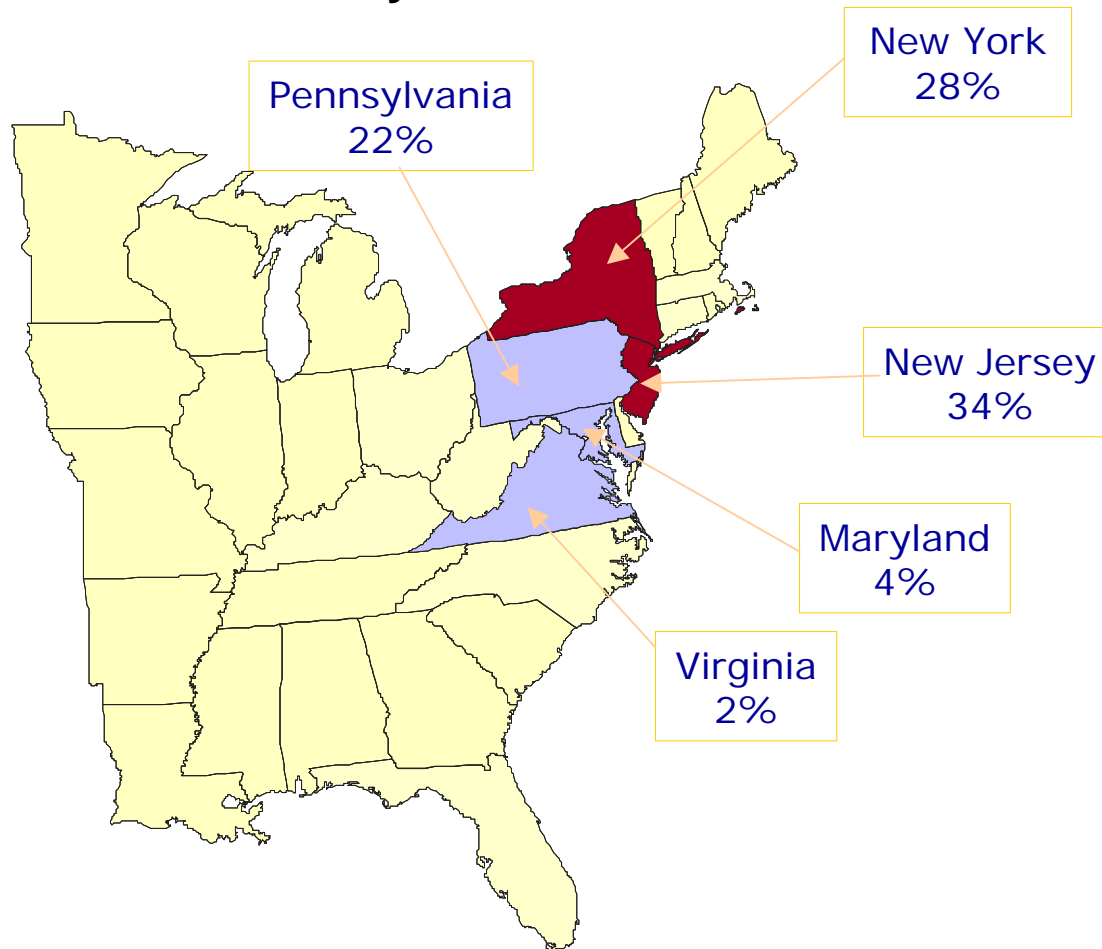
Top Origin Regions for New Jersey Travel

The highest percentage of New Jersey Travelers originated from the Middle Atlantic Region, followed by the South Atlantic region.



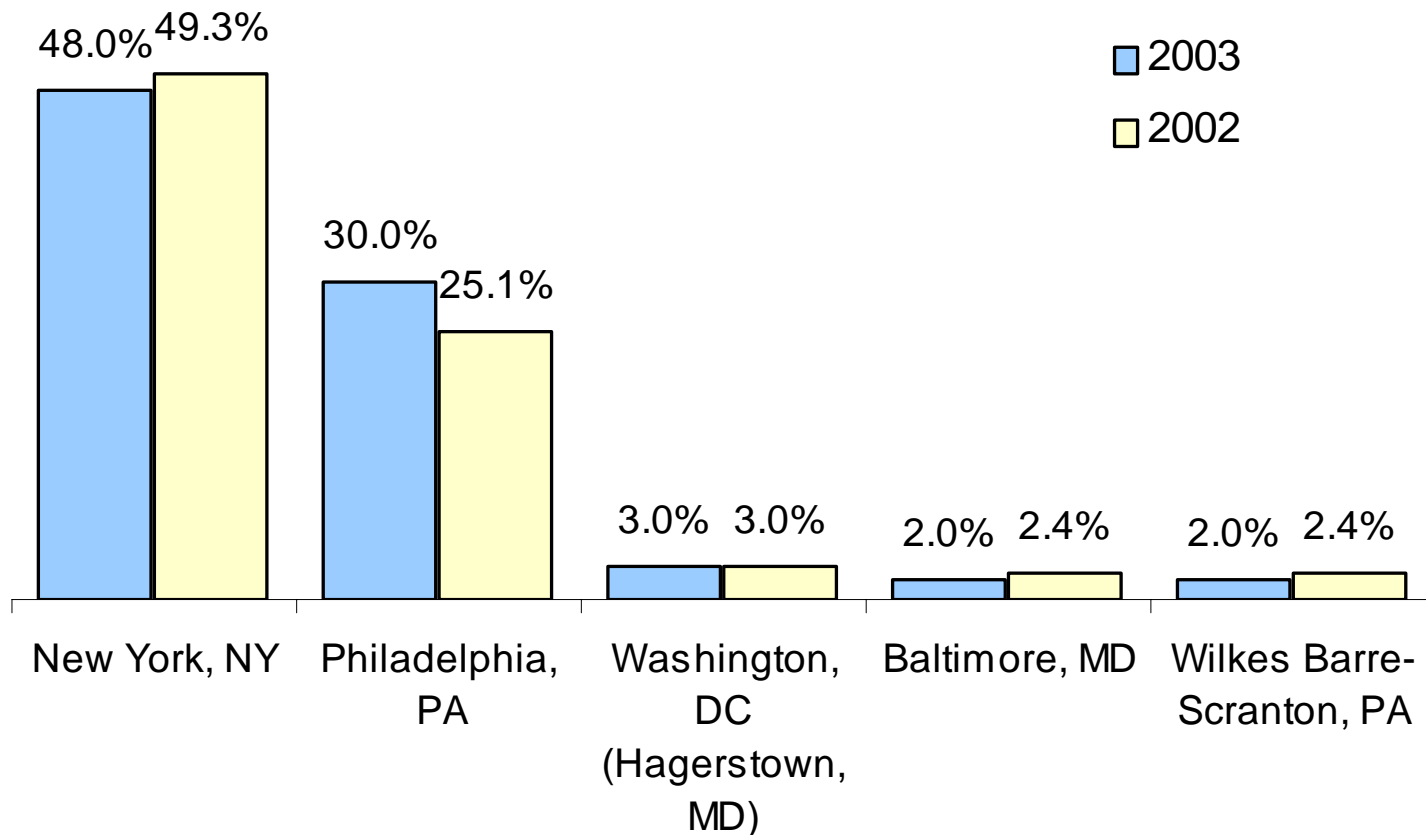
Top Origin States for New Jersey Travel

The largest share of New Jersey Travelers originated from New Jersey , followed by New York and Pennsylvania.

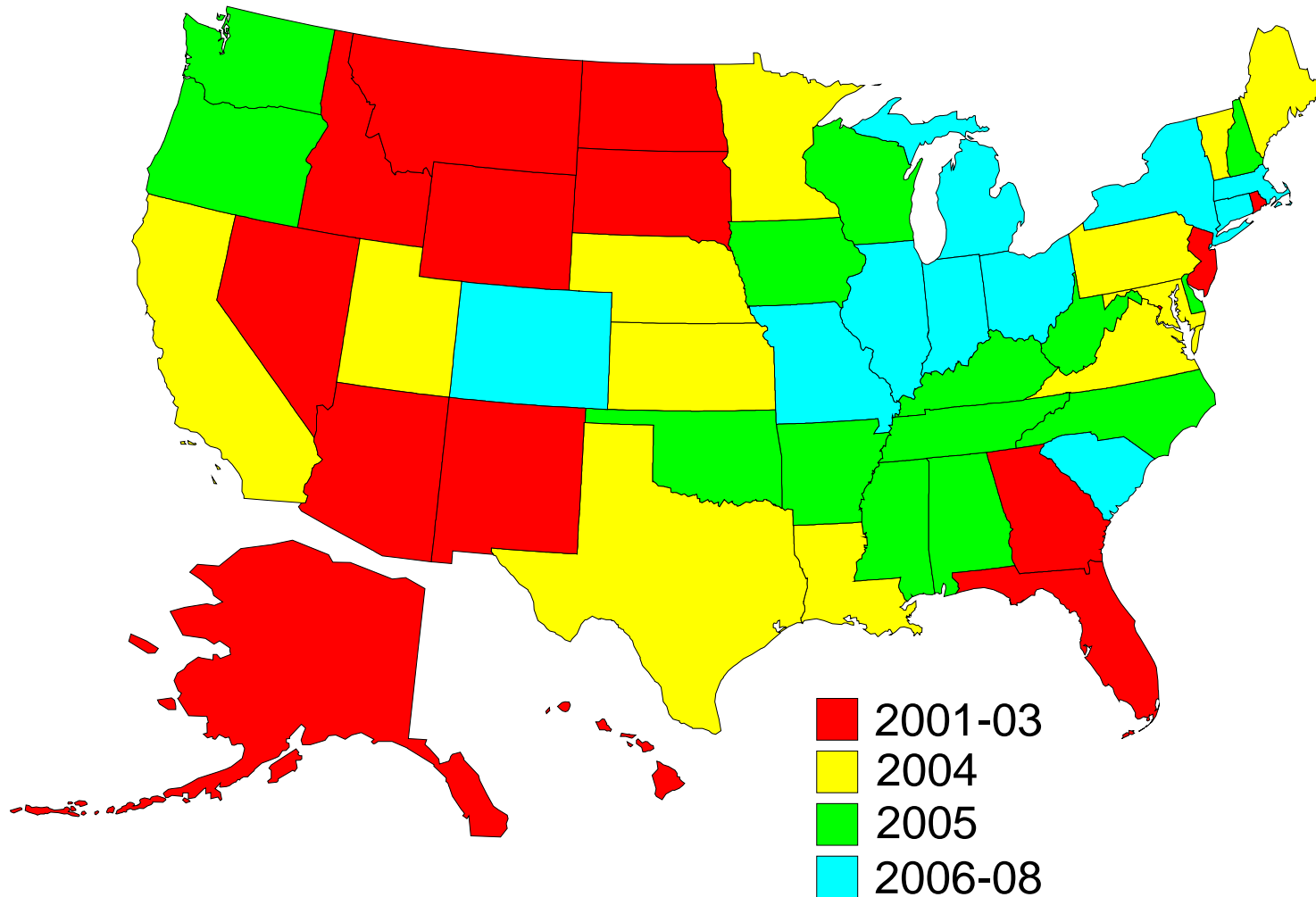


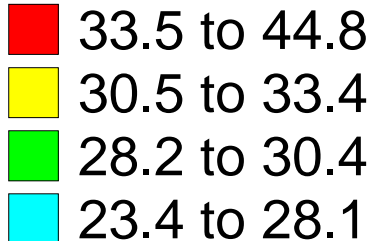
Top 5 Origin Market Cities

New York and Philadelphia are the two largest designated market areas (DMA's) for New Jersey tourism.



When Will Employment Regain Its 2000-01 Peak?



[illegible]

The Importance of Tourism to New Jersey's Economy

- **Travel & Tourism is one of the most important economic engines in New Jersey. It has a diverse composition and is a strong job generator.**
- **Travel & Tourism is a growth sector in New Jersey.**
- **Travel & Tourism is a major contributor to state revenues.**

T&T Industry and Economy

Tourism generates jobs both directly and indirectly.



Executive Summary

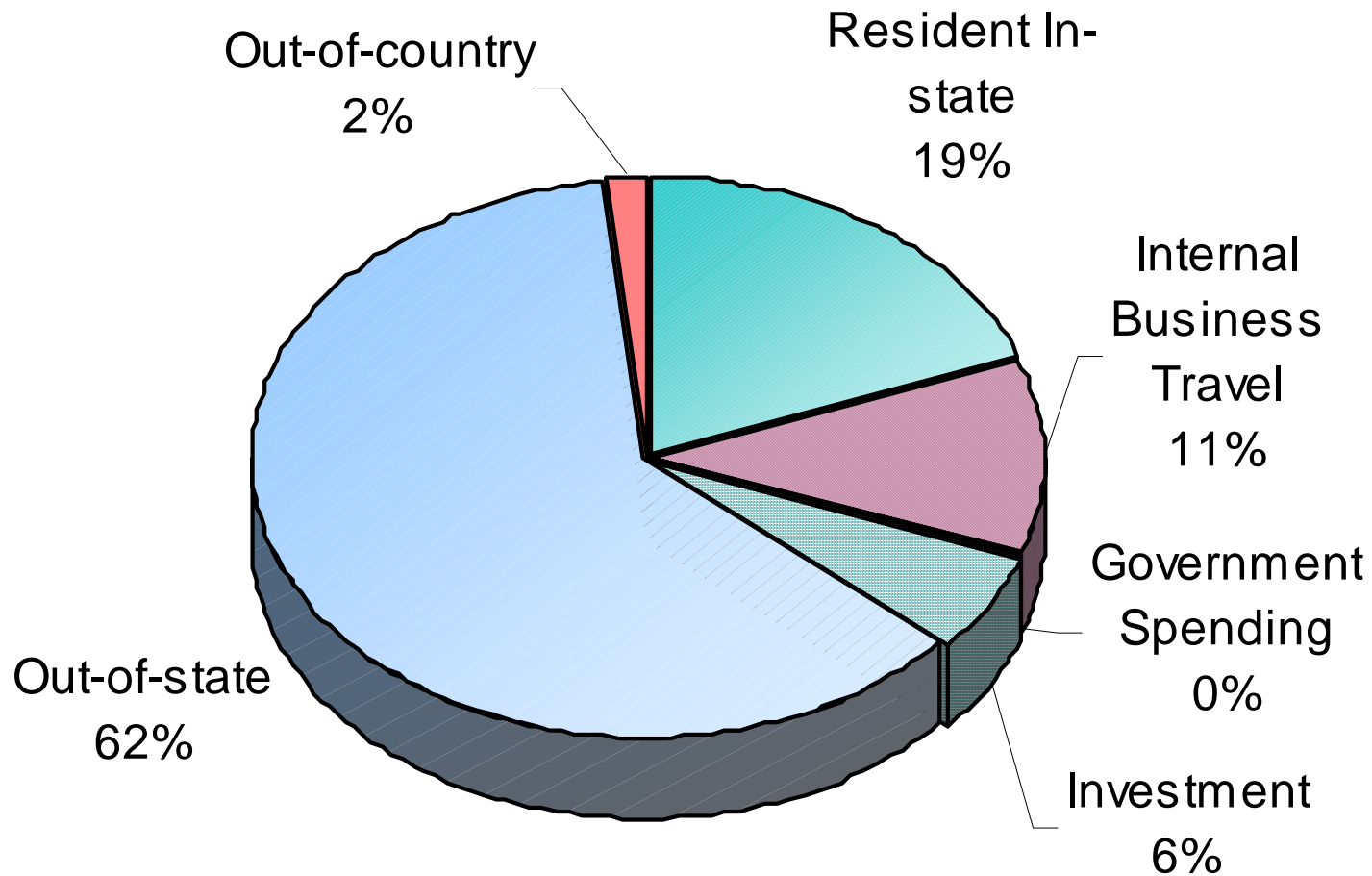
Important Concepts

- **Sales** represents all expenditures
\$26 Billion
- **Economic Contribution** factors out those goods and services coming from outside the state (import leakages)
\$19 Billion
- **Core Industry** considers only the direct impact of those sectors touching the visitor
\$14 Billion

Breaking Down Tourism Sales

- **Resident In-State** – In-state travel expenditures of New Jersey residents.
- **In-state Business Travel** – This includes New Jersey businesses' spending within the state economy on travel.
- **Government Spending** – The budgets of the New Jersey Tourism Office, transportation functions related to tourism, publicly funded attractions and funding for security in tourism-intensive areas are included.
- **Investment** – Construction of hotels, attractions, tourism infrastructure, operating and transportation equipment are included.
- **Domestic Out-of-State** – This key category includes the spending of all visitors to New Jersey coming from other parts of the country.
- **International** – Spending of international visitors to New Jersey .

Breaking Down Tourism Sales - \$26 Billion



Core Tourism Industry

- Answers the question “How does tourism compare with other industries?”
- The Core Tourism Industry measure includes only the direct value added of the sectors touching the visitor.
- Therefore, all indirect effects are excluded (these are part of other industries) and the effects of investment and most government spending are also excluded.
- Tourism’s Core Industry generated \$14 million in value added production in 2002. This ranks tourism as the 7th largest industry in the state in terms of value added.

The Importance of Tourism

- Using the most narrow Core Industry definition, Tourism is the **single largest employer in the state** with 446,000 direct full-time equivalency jobs in 2002.
- The Core Industry generated **10.9% of employment** in 2002. Tourism generated **12.6% of total employment** on a total Economic Contribution basis.
- Tourism is a significant source of state and local government revenues and was responsible for **tax revenues of \$2.5 billion** in 2002.

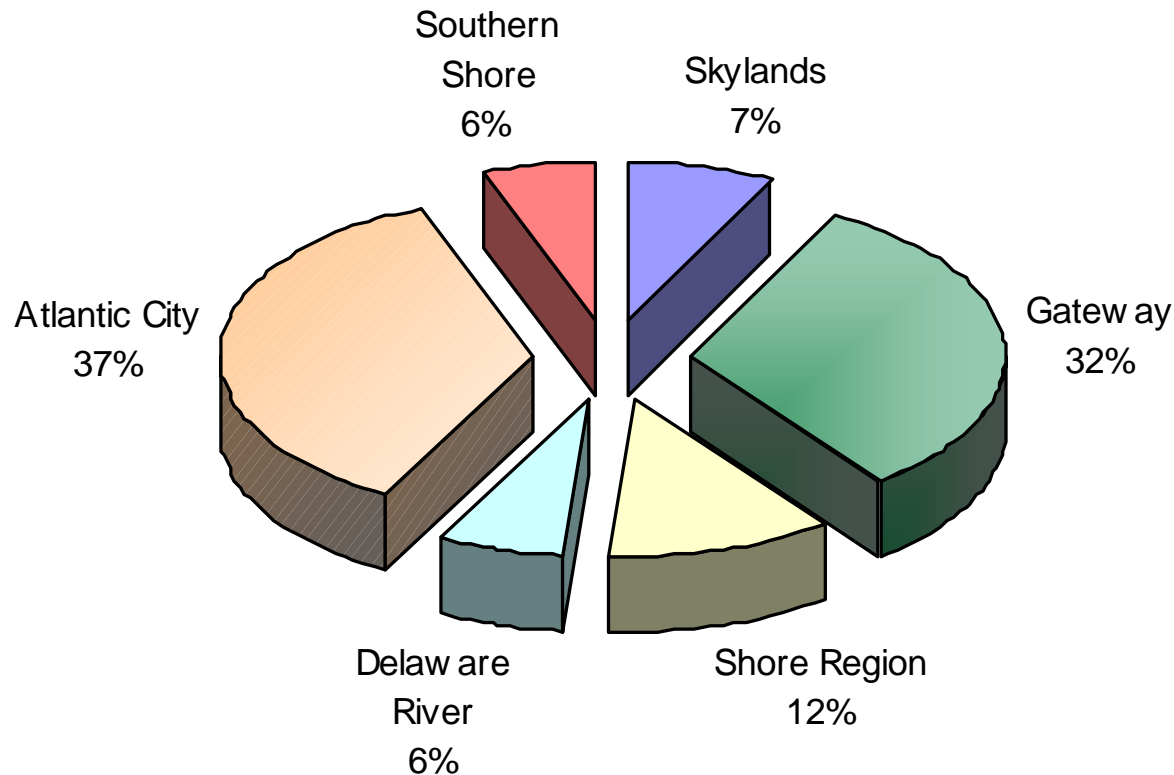
Core Tourism Industry

The Core Tourism Industry represented 446,000 jobs in 2002. This ranks travel & tourism as the single largest employer in the state – comprising 10.9% of total employment.

Industry (code)	Jobs	% Total
Travel & Tourism	446,316	10.9%
Local Government (9L)	385,781	9.4%
Health Services (80)	366,168	8.9%
Business Services (73)	330,520	8.0%
Eating and Drinking Places (58)	201,360	4.9%
State Government (9S)	160,834	3.9%
Wholesale Trade - Durable Goods (50)	145,441	3.5%
Engineering & Management Services 87)	143,504	3.5%
Wholesale Trade - Nondurable Goods (51)	130,055	3.2%
Miscellaneous Retail (10)	122,255	3.0%
Total	4,107,639	100.0%

Regional Distribution of Tourism

New Jersey is not overly dependent on any one region for tourism.



County-Level Analysis in 2004

- **Building on last year's analysis to capture difficult to measure parts of Tourism with accuracy at the local level.**
- **Multiple information sources to be integrated into the analysis to supplement surveys (e.g. 2nd homes data, traffic patterns, seasonal employment, NAICS industry data, utilities).**
- **Working in partnership with local industry officials.**
- **Result will quantify the local level importance of tourism in a credible and defensible way.**

New Jersey's position of strength

STRENGTHS

- **Economic strength**
- **Diversity of product**
- **Proximity to markets**
- **Wealthy clientele**
- **Recovery of int'l markets**
- **New attractions**

CHALLENGES

- **Increasing tax burden on certain segments**
- **Aggressive pricing and marketing in competing gaming destinations**

Result: Solid footing for growth in 2004 and beyond

Thank You

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